

# **Banking benefits**

## **CAB evidence on payment of benefits into bank accounts**

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## Contents

<b>Executive summary</b>	<b>1</b>
<b>1. Introduction</b>	<b>5</b>
The impact of direct payment	6
Local Housing Allowance – the next stage of direct payment	6
Progress made but problems remain	7
<b>2. Problems opening basic bank accounts</b>	<b>9</b>
Problems proving identity and address	9
The failure of banks to promote basic accounts	13
Banks' attempts to sell other accounts	14
Access to banking for people in debt or bankrupts	16
Delays in opening basic bank accounts	19
Opening bank accounts in rural areas	20
Upgrading basic bank accounts	21
The consequences of not being able to open a bank account	22
The need for support for vulnerable people	24
<b>3. Problems operating accounts</b>	<b>26</b>
Banks' right of set-off	26
Direct debits and administration charges	28
Poorer levels of service for basic bank account holders	31
Access to cash in rural areas	32
<b>4. Conclusions and recommendations</b>	<b>35</b>
Transforming access to basic bank accounts	35
Specific recommendations to improve current practice	37
Recommendations to banks	37
Recommendations to the Banking Code Standards Board	39
Recommendations to the Joint Money Laundering Steering Group	40
Recommendations to Post Office Limited	41
Recommendations to Association of British Credit Unions Ltd	42
Recommendations to Government	43
<b>Bibliography</b>	<b>45</b>
<b>Appendix 1</b> Support needed to open a bank account for a vulnerable person	<b>48</b>
<b>Appendix 2</b> List of Citizens Advice Bureaux that submitted evidence	<b>49</b>
<b>Appendix 3</b> Bureaux which have undertaken research into basic bank accounts	<b>52</b>



## Executive summary

1. Access to bank accounts is crucial if financial exclusion is to be tackled successfully, yet about one in twelve households in the UK currently have no bank account of any kind.
2. Having a bank account helps to make people “job ready” since almost all employers now insist on paying people directly into bank accounts. It also enables people to obtain cheaper deals on fuel, insurance and credit.
3. The banking industry was encouraged to develop basic bank accounts to support the government policy of paying benefits direct into accounts. Since April 2003 over 1.5 million basic accounts have been opened, and 96 per cent of claimants now receive their benefit by payment into an account of some type.
4. Reforms of Housing Benefit (HB) which are currently being piloted in 18 local authorities around the country depend on access to bank accounts, as HB will usually be paid into the claimant’s bank account. The policy intention behind this change is to encourage tenants to take more responsibility for paying their rent, and to promote work-readiness.
5. However, CAB evidence demonstrates that at present there is a poor fit between the government’s policy of paying benefits direct into bank accounts and some of the banking industry’s current practices. Consequently many of the most vulnerable people are denied access to a bank account, or are unfairly penalised when they open one. This report highlights difficulties experienced in both opening and using bank accounts.

## Problems opening an account

6. CAB clients experience particularly acute problems opening bank accounts because they may not have acceptable evidence of their identity and address, which banks must check to comply with money laundering legislation. Although there is government guidance about how financially excluded people can prove their identity and address, CAB clients find that bank staff are frequently not willing to follow it. Our evidence reveals that the people who are most affected include discharged prisoners, non-UK citizens, people on benefits and homeless people.
7. Few banks provide much marketing information about their basic account. This causes particular problems for the most excluded who may lack the confidence to ask for information relating to a basic bank account, or may not even be aware of the existence of basic bank accounts.
8. The Banking Code, which sets out minimum standards that banks have to comply with, states that people should be offered a basic account if they ask for and meet the conditions for one. However, CAB evidence shows that some bank staff prefer to sell accounts and services which may not be

suitable for customers' needs. Since basic bank accounts are not deemed to be sufficiently profitable they are unlikely to feature in sales targets so bank staff have few incentives to sell them.

9. In spite of the fact that it is not possible to go overdrawn with a basic bank account, only a few banks allow people in debt to open accounts. As a result they find it difficult to manage their income or make repayments to creditors.
10. People are experiencing long delays attempting to open basic accounts with some banks, as the relevant processes are carried out centrally rather than at local bank branches. Delays can leave people without any income for essential needs for several weeks.
11. People in rural areas are experiencing problems opening bank accounts. Cost-cutting measures launched by the banks to increase their profitability have led to bank closures which have left nearly 1,000 mainly rural communities bankless. As a result people who live in rural areas have a very limited choice of banks, and cannot open bank accounts at post offices.
12. A significant goal in spreading ownership of bank accounts is to bring financially excluded individuals into the financial mainstream, and allow them to take advantage of the benefits that this can confer. However CAB evidence shows that banks upgrade accounts to full current accounts with overdrafts where this may not be in an individual's best interests.
13. The consequences of not being able to open a bank account can be severe. People may have to use companies which charge fees to cash cheques, having to pay about 10 per cent of the cheque value for this service. For people in receipt of benefits this charge can represent a very sizeable proportion of the money they have to live on.

### **Problems using an account**

14. CAB evidence demonstrates that providing access to banking is not enough to bring people into the financial mainstream; the design and features of a bank account are also important.
15. Banks often take money out of a basic or current account to pay other debts owed to the bank without checking the customer's circumstances first. This is called the right of set-off, and there is no limit on the amount a bank can take. This has major implications where housing benefit is paid into an account, as rent arrears and even eviction could result.
16. Charges levied by banks for items such as failed direct debits can also cause considerable hardship. Such charges range widely, with some banks charging £39 for each failed direct debit. The imposition of this charge could leave someone on jobseekers allowance with less than £20 per week to live on if they experience even one failed direct debit in a week due to, for example, a delay in payment of their benefit into the account.

17. Some banks are providing poorer levels of service for basic bank account holders. It is taking up to 10 days to clear a cheque through some basic bank accounts, compared to the usual three to four working days. Other banks are preventing basic account holders withdrawing cash at a bank branch counter.

### **Key recommendations**

18. All **banks** should review their existing basic bank accounts against the following principles:
- full credit scoring should not be used to determine access to a basic account. It is only acceptable to access the customer's credit reference file to check they are on the electoral roll, as part of the money laundering check
  - basic bank accounts should not exclude people in financial difficulties or undischarged bankrupts
  - people opening a basic account rather than a current account should receive the same level of service on the time taken to open an account. Accounts should be opened on the spot, provided the customer provides acceptable forms of identification
  - banks should not exercise their right of set off from basic bank accounts
  - charges for failed direct debits and standing orders should be capped at a level to be determined by the government's Financial Inclusion Task Force
  - all basic accounts should offer a buffer overdraft zone of £10
  - the clearance time for cheque payment into basic accounts should be the same as for the bank's current accounts.
19. As well as improving the features of basic bank accounts, banks need to improve their practices:
- information about basic bank accounts should be prominently displayed in both bank branches and on bank corporate websites
  - on opening accounts clients should be given basic information on budgeting and handling money.
20. Some of the improvements required should apply to all bank accounts. These include:
- all bank accounts should be accessible at post office counters, ATMs and bank branch counters
  - banks should make publicly available information about the documents that will be accepted as proof of identity to open an account
  - where a bank refuses to open a bank account for a customer it should provide them with a proforma letter detailing the reasons for the refusal, and outlining exactly the steps needed to remedy the problem.

21. **The Banking Code** should require subscribers to:
  - display information about basic bank accounts in bank branches
  - tell customers who have been turned down for an account the reasons for the refusal, and what they need to do to remedy the situation
  - open a basic bank account where acceptable ID is provided, and set it up, within a maximum of 10 working days
  - not to exercise their right to set-off other debts to the bank from basic accounts.
22. The Joint Money Laundering Steering Group (JMLSG), which aims to promulgate good practice in countering money laundering, should produce a single list of acceptable documents to prove ID and address, drawing on banks' best practice. This must include letters of entitlement to HB, official Home Office travel documents and residence permits. The list should be communicated clearly to all bank branch staff.
23. All current account holders should be able to withdraw cash over the counter at Post Offices.
24. And to make better use of the extensive Post Office network, we consider that that the Financial Inclusion Task Force should undertake a feasibility study into people being able to open basic bank accounts at Post Office branches.
25. The Office of Fair Trading (OFT) should investigate the level of charges for failed direct debits on basic bank accounts to ensure that charges are not disproportionate but reflect the costs incurred by the banks.
26. The national rollout of HB reform should not start until difficulties with opening and using bank accounts for payment of local housing allowance have been resolved. DWP should work with HM Treasury and the Financial Inclusion Task Force to achieve this, and to consider the funding of support services for people opening basic bank accounts more generally.
27. To make a real and lasting difference, efforts to extend access to bank accounts need to become an integral part of banks' core business. We therefore recommend that the Financial Inclusion Task Force should commission a report to outline the business case for banks to actively offer bank accounts to people on low incomes.



## 1 Introduction

- 1.1 A bank account is often considered to be the key product for achieving financial inclusion. The lack of one can result in individuals becoming excluded from an array of financial services, which makes them more vulnerable to exploitation and indebtedness. For example those who do not have bank accounts - the 'unbanked' - face higher costs on simple transactions like cashing cheques or paying for their fuel bills via a pre-payment meter, and find it more difficult and costly to purchase other financial products such as insurance or credit.
- 1.2 In 2002-2003 around eight per cent of households in Britain were without access to any kind of bank account. This equates to one in twelve households or approximately 2.8 million adults, with a further 1.1 million households having to manage with some sort of savings account, which offer limited services (for example they do not offer the facility to set up direct debit payments).<sup>1</sup>
- 1.3 The 'unbanked' are often the most vulnerable members of society. They are often living on a low income, with more than 25 per cent in the lowest income decile<sup>2</sup> and 65 per cent of 'unbanked' households in the lowest three income deciles, meaning they have an annual household income of just under £14,500. They are also more likely to be in receipt of benefits: half of the unbanked have been receiving benefits for more than five years<sup>3</sup> and they are more likely to live in socially rented accommodation. Unbanked individuals and families can also be in danger of getting locked into a cycle of poverty and exclusion, leading them to turn to high cost credit or even illegal lenders. This inevitably results in further financial strain and unmanageable levels of debt.
- 1.4 Enabling the unbanked to open bank accounts offers a gateway to financial inclusion, one which can bring people into the financial mainstream. It also confers additional benefits, such as making people "job ready" since almost all employers now insist on paying people directly into bank accounts.
- 1.5 In the 2004 Spending Review, the government announced that it was working together with the banks towards the goal of halving the number of adults in households without a bank account – and to have made significant progress in that direction within two years.<sup>4</sup> To achieve the spending review goal would involve up to 1.4 million new bank accounts to be opened by people who have no such account. That is equivalent to 1,900 new accounts opened every day.

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<sup>1</sup> *Promoting Financial Inclusion*, HM Treasury, December 2004

<sup>2</sup> Ibid

<sup>3</sup> *Affordable credit for low-income households*, Sharon Collard and Elaine Kempson, Joseph Rowntree Foundation, February 2005

<sup>4</sup> *Pre-Budget Report 2004 - Opportunity for all: The strength to take the long-term decisions for Britain*, HM Treasury, 2 December 2004, p.100

Available at: [www.hm-treasury.gov.uk/media/92B/F6/pbr04\\_chap05\\_282.pdf](http://www.hm-treasury.gov.uk/media/92B/F6/pbr04_chap05_282.pdf)

## The impact of direct payment

- 1.6 Direct payment of benefits into accounts formed part of the financial inclusion agenda. Other reasons for this change included: the prevention of benefit fraud; better safety and security for benefit recipients; and a substantial reduction in the cost of social security administration (from 68p per transaction for order books to 1p per transaction for direct payment), saving the government around £400 million each year when fully implemented.
- 1.7 Basic bank accounts were developed to support the move to direct payment.<sup>5</sup> They are designed for people who want to ensure that they do not overdraw their accounts or who may not meet the banks' criteria for opening a current account. However, they do permit the payment of bills by direct debit or standing order. They can also be accessed at post office counters as well as bank branches and ATMs. Since April 2003, over 1.5 million basic bank accounts have been opened.<sup>6</sup>
- 1.8 The Department for Work and Pensions (DWP) is now paying over 96 per cent of customer accounts by direct payment.<sup>7</sup> However, many people have chosen to receive direct payments into a Post Office card account (POCA) rather than a bank account. These are very simple accounts which have no overdraft, direct debit or standing order facilities and can only accept electronic payment of state benefits, pension and tax credits. It is believed that many of the POCA holders already have bank accounts but are signalling a preference for using post office services. As at 15 May 2005, 4,720,824 POCA's had been opened for the receipt of benefits, pensions and tax credits<sup>8</sup>, accounting for approximately 40 per cent of benefit claimants invited to convert to direct payment.<sup>9</sup>

## Local housing allowance – the next stage of direct payment

- 1.9 The next stage in the rollout of direct payment is the introduction of Local Housing Allowance (LHA) as part of the wider reform of HB. Under the LHA, which is currently being piloted in 18 pathfinder areas throughout the country, payment of HB will in most cases be made direct from the local council to the claimant or into the claimant's bank account for tenants in private rented accommodation, rather than direct to the landlord, as at present. The claimant can then set up a direct debit or standing order for payment of rent to the landlord. The policy intention behind this change is to encourage tenants to take more responsibility for paying their rent, and to promote work-readiness. This change is likely to affect a large proportion of the four million households who currently receive housing benefit for help with their rent.<sup>10</sup>

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<sup>5</sup> PAT 14, *Access to Financial Services*, Social Exclusion Unit, 1999

<sup>6</sup> British Bankers' Association (BBA) press release, 24 November 2005

<sup>7</sup> Hansard, House of Commons, 20 June 05, Column 707W

<sup>8</sup> Hansard, House of Commons, 4 July 2005, Column 72W

<sup>9</sup> Direct Payment Statistics, Department for Work and Pensions Payment Modernisation Programme, March 2005

<sup>10</sup> DWP Statistics, May 2004

- 1.10 This poses a number of additional problems for tenants who have already chosen to set up a POCA to receive benefits payments from DWP. Firstly, at present only DWP administered benefits and tax credits can be paid into a POCA. Local authorities cannot pay LHA into a POCA, as the Memorandum of Understanding between the banks, the DWP, Post Office Limited (POL) and the Department for Trade and Industry (DTI) would need to be rewritten to include every local authority.<sup>11</sup> Secondly, the POCA does not offer direct debit or standing order facilities necessary to enable tenants to make secure rent payments to their landlords. For these reasons, ease of access to bank accounts will be one of the most essential factors in determining whether the national rollout of LHA is a success. Citizens Advice's policy recommendations on LHA are contained in a separate report.<sup>12</sup>

### **Progress made but problems remain**

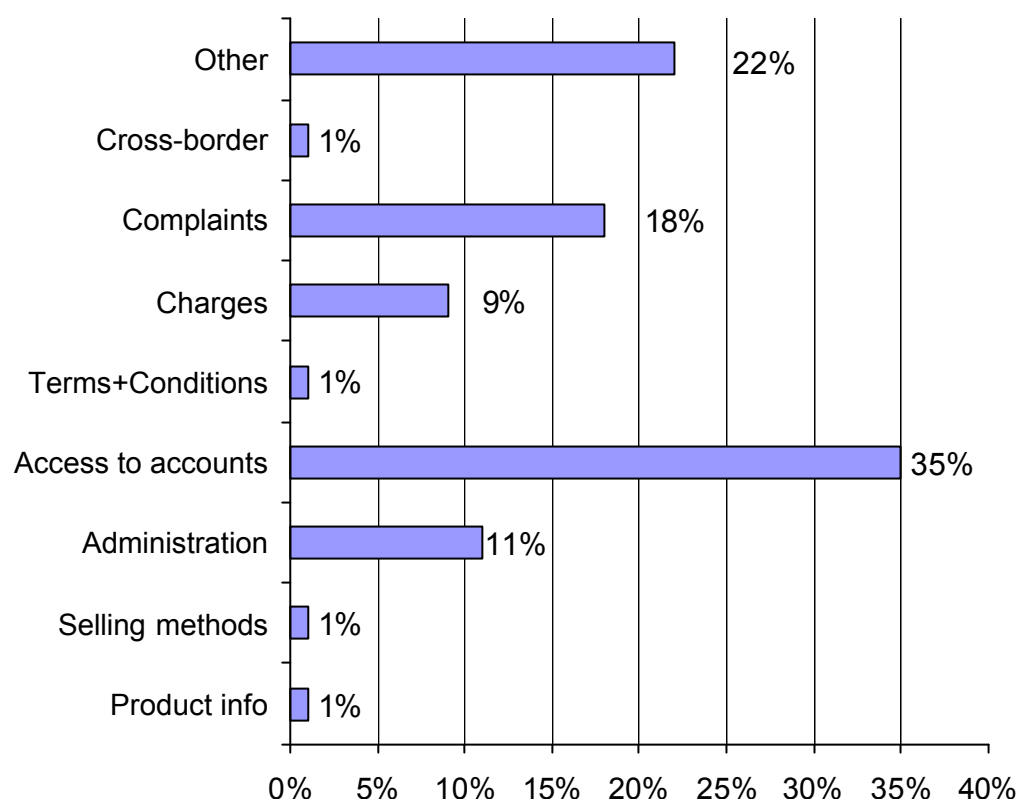
- 1.11 Significant progress has been made by the banking industry in extending access to bank accounts, with 1.52 million basic bank accounts opened since April 2003,<sup>13</sup> though precisely how many of these accounts represent bank accounts opened by the 'unbanked' remains unclear. The new version of the Banking Code which came into force in March 2005 included more stringent requirements in relation to access to basic bank accounts.
- 1.12 However, evidence from Citizens Advice Bureaux indicates that opening basic bank accounts is still proving problematic for many people. Between April and September 2005, 73 bureaux submitting detailed statistics to Citizens Advice reported that over a third of their enquiries about bank accounts – and by far the largest number - related to problems with access.

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<sup>11</sup> The Local Government Association states that in June 2003 there were 410 Local Authorities in England & Wales. [www.lga.gov.uk/Documents/Briefing/LG%20structure%202003.pdf](http://www.lga.gov.uk/Documents/Briefing/LG%20structure%202003.pdf). In addition, there are 32 local authorities in Scotland.

<sup>12</sup> See *Early days: CAB evidence on the Local Housing Allowance*, December 2005 for further information about the LHA Pathfinder pilots, and Citizens Advice's recommendations about how the policy should be implemented nationally.

<sup>13</sup> *Basic bank account growth continues*, British Bankers' Association, 24 November 2005

**Table 1.1 Banking enquiries dealt with by bureaux April–September 2005**

Base: 2,295 enquiries about banking made to 73 Citizens Advice Bureaux in England and Wales from 1 April to 30 September 2005

- 1.13 CAB evidence shows that clients are experiencing problems not only in setting up basic bank accounts but also in using either basic or current accounts to manage their money. Indeed, common banking practices, such as the right of set-off or the imposition of administration charges, are in many instances having a detrimental impact on the vulnerable and excluded – precisely those people that the financial inclusion agenda aims to help. Unless these problems are addressed, we fear that they will undermine the DWP's plans to introduce LHA on a national scale and, more generally, inhibit the success of the government's financial inclusion agenda.
- 1.14 This report is based on 435 evidence reports submitted by 290 Citizens Advice Bureaux in England, Wales and Northern Ireland from January 2004 to August 2005. We have also drawn on the findings of 49 CAB surveys of local access to basic bank accounts for the period August 2002 to March 2005.
- 1.15 Chapter 2 outlines the problems experienced by CAB clients in **opening** accounts for receipt of benefits; and Chapter 3 details the problems experienced by CAB clients in **operating** these accounts. Following this, Chapter 4 puts forward a number of recommendations to the banking industry, government and other stakeholders to improve the procedures involved in opening and running basic and current accounts.

## 2 Problems opening basic bank accounts

- 2.1 This chapter examines the difficulties experienced by CAB clients in opening basic bank accounts. The impact of these difficulties is to restrict people's access to banking facilities and, in so doing, threaten the success of government efforts to tackle financial exclusion. These difficulties comprise:
- problems proving identity and address when trying to open bank accounts
  - failure to promote and advertise basic bank accounts
  - attempts to sell accounts other than basic bank accounts
  - lack of access to basic bank accounts for people in debt or undischarged bankrupts
  - delays in opening basic bank accounts – often due to over-centralisation
  - difficulties opening bank accounts in rural areas
  - upgrading basic bank accounts
  - the consequences of not being able to open a bank account
  - the need for support for vulnerable people opening bank accounts.

### **Problems proving identity and address when trying to open bank accounts**

- 2.2 Since 1994, when the first EU Directive on money laundering was transposed into UK legislation, all banks, building societies, and other businesses providing financial services have had to put procedures in place to stop criminals from using them to launder the proceeds of crime or to finance terrorism. Financial institutions are required to obtain two separate documents from potential customers to prove their identity and address. This usually takes the form of “primary” evidence of ID such as a passport or a driving licence, and “secondary” evidence with proof of address such as utility bills in the customer's name.
- 2.3 Citizens Advice recognises the need for procedures to be in place in order to stop criminals from using bank accounts to launder money. However, a sensible and appropriate balance needs to be struck between the need to protect against money laundering and the desire to expand access to banking services, as part of efforts to promote financial inclusion. For people on low incomes and dependent on benefits, it is crucial that the process of opening a bank account is simple and speedy, and they are not required to provide documents in order to satisfy the money laundering legislation. The Financial Services Authority (FSA) recognised this with guidance in its Money Laundering Sourcebook, which provides guidance on alternative documents by which financially excluded people could prove their identity and address easily.<sup>14</sup> For example, the guidance states that if a financial services provider has reasonable grounds to conclude that an individual cannot produce detailed evidence of their identity and cannot reasonably be expected to do so, it may accept as identification evidence a letter or statement from a person in a position of responsibility who knows the individual.

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<sup>14</sup> *The Money Laundering Sourcebook* forms part of the FSA Handbook, and sets out the requirements on firms to put in place anti-money laundering systems and controls. It is available at: [www.fsahandbook.info/FSA/html/handbook/ML](http://www.fsahandbook.info/FSA/html/handbook/ML)

- 2.4 Despite the guidance, CAB clients find that bank staff are frequently not willing to be flexible in the type of documents they are willing to accept. This is a significant issue reported by bureaux – nearly a third of the case studies used to compile this report concerned problems with banks not regarding customers' documents as suitable or sufficient to prove identity and address. The impact can be substantial:

A Somerset CAB's client had been offered a job and so needed to open a bank account to receive his wages. However, as he was homeless this proved impossible. The client found himself caught in a vicious circle in which he was unable to open a bank account without an address, he could not find a place to live without one month's rent and deposit, and yet could not start work without opening a bank account to receive his wages.

A Sussex CAB reported that two migrant workers from the EU accession states sought advice when they found themselves unable to open bank accounts after working in the UK for three months, as the banks would not accept the documentation they offered. As a result, the clients either had to use a cheque cashing service or rely on a friend to cash a cheque to access their wages.

A South-West Wales CAB reported that a woman who had held a savings account with her bank for 32 years was shocked to discover that the bank would not open a new account without her proving her identity and address. The client only had a marriage and birth certificate to prove her identity, but no passport, credit cards or driving licence. The bank, however, did suggest that she apply for a credit card instead, even though the client was not interested in borrowing money.

- 2.5 Our evidence reveals that the main groups who experience problems in providing proof of ID to open basic bank accounts include:

- discharged prisoners
- refugees and asylum seekers
- workers from abroad
- UK citizens returning to the UK after living abroad
- people on benefits
- students from abroad
- homeless people
- those living in hostels
- people who live in houses in multiple occupation (HMOs)
- elderly married women
- widows.

- 2.6 Of these groups, people from abroad, including asylum seekers and refugees, migrant workers, students and UK citizens returning to live in the UK, suffer more acutely as their documentation is more likely to differ from the usual

documents requested by banks. Clients from outside the EU have faced major problems in getting banks to recognise their documents, especially where they have entered the country as asylum seekers and do not have passports from their country of origin. Travel documents are not acceptable as primary ID despite bearing a photograph which will almost certainly be recent, a copy of the holder's signature and the official stamp of the Home Office. Here are a few recent examples:

A CAB in Wiltshire reported that a couple recently arrived in the UK from Zimbabwe could not open a bank account because they had no UK address. However they could not find anywhere to live until they had opened a bank account. No local estate agents were prepared to accept a cash deposit and rent in advance from the clients in these circumstances.

A Somali refugee who had recently been granted indefinite leave to remain in the UK sought advice from a Sussex CAB about opening a bank account. When the client approached the bank where her mother already held an account, she found that they would not accept the documentation she had, namely her Home Office registration card, a letter from the local authority about a social care grant and her NHS medical card.

A CAB in Shropshire reported that a student from Latvia could not open a bank account for payment of her wages from a part-time job, because she had no evidence of her address which was acceptable to the banks. One bank would not accept letters from her prospective employer, a national pub chain or from the college she was attending. Instead they insisted she got a letter from her Latvian bank, which would take several weeks to arrive.

- 2.7 The lack of flexibility is evident when banks will not accept letters of entitlement to housing and council tax benefits. This is a particularly acute problem for those bureaux in LHA pathfinder areas who report that banks are unwilling to accept letters from the local authority proving their entitlement to HB, even though they accept entitlement letters from DWP. This is unreasonable on the part of the banks, as virtually all local authorities rigorously check all aspects of the housing benefit claim under the requirements of the housing benefit verification framework.<sup>15</sup>

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<sup>15</sup> Local authorities are not required to use the HB verification framework, however, there are financial incentives for them to do so. The HB verification framework is a set of guidance produced by the DWP to provide local authorities with minimum standards for the collection of evidence and on-going checks in both housing benefit and council tax benefit (HB/CTB) cases. The intention is that where local authorities adhere to the framework, the amount of fraud and error entering the system will be reduced, and any that does enter will be detected more readily. Details of the checks which are required can be found in the Verification Framework Manual on the DWP website [www.dwp.gov.uk](http://www.dwp.gov.uk).

2.8 Evidence from LHA pathfinder bureaux show the problems caused by banks being unwilling to accept HB/CTB entitlement letters:

A CAB in an LHA area reported that a single man in receipt of income support and housing benefit was unable to open a bank account because the local banks were not willing to accept a letter of entitlement to housing benefit as proof of identity. As a result the client was unable to cash his LHA cheques.

The same CAB was so concerned at the problems their clients were facing in this regard that they organised a meeting with representatives from local banks. The issues discussed covered staff training, basic bank literature, appropriate selling of products, the length of time to open an account, possible systems for copying original ID documents and the need for a single list of acceptable documents to prove identity and address. The CAB proposed that one way of safely addressing this problem would be for banks to accept HB notification letters from the local council as proof of address, in the same way that they can (in theory) accept letters from central government bodies (e.g. DWP benefits offices or JobCentre Plus offices). However, although delegates agreed the meeting had been useful, only two local banks subsequently accepted HB letters as proof of address.

2.9 This is a major problem which is not just experienced by CAB clients. In their report *Banking the unbanked – a snapshot*, Services Against Financial Exclusion (SAFE) found that “identification and address verification requirements are still a significant barrier [and] only 40 per cent of applicants were able to open their [basic bank] account first time around”.<sup>16</sup> And the Banking Code Standard Board’s (BCSB) mystery shopping exercise which seeks to check how easy it is to open a basic bank account, found that “anti-Money Laundering checks still create difficulties. Many benefit recipients do not have documents such as driving licences or passports. Some bank staff need to be more aware of alternative forms of identification: greater flexibility is needed at branch level.”<sup>17</sup> Worryingly, these findings are unchanged from the BCSB mystery shopping exercise conducted in 2004.

2.10 Nevertheless, there is some good practice in this area, as the following case demonstrates:

A CAB in Sussex reported an example of good practice by Nationwide Building Society. Their client needed to move out of a rehabilitation centre, but needed to open a new bank account to enable him to manage his finances in his new flat. He did not have any of the usual forms of ID needed to open an account, but the building society manager agreed that a letter from the manager of the rehabilitation centre confirming the client’s identity would be acceptable proof of identity. The CAB commented that the flexibility of the building society’s

<sup>16</sup> *Banking the unbanked – a snapshot*, SAFE, November 2005, p.46

<sup>17</sup> *Basic Bank Accounts – substantial progress but room for improvement remains*, Banking Code Standards Board, 17 November 2005



approach meant that the client's transition out of rehab into his own home was much easier.

### **The failure of banks to promote basic bank accounts**

- 2.11 The main ways in which people can find out about basic accounts is through advertising and marketing material and by talking to bank staff.
- 2.12 Yet in practice few banks advertise or provide much information about their basic account, which causes particular problems for the most excluded who may lack the confidence to ask for information relating to a basic bank account, or may not even be aware of the existence of basic bank accounts:

Brighton and Hove CAB found that staff in only one bank out of the eleven they visited knew about their basic account, and had the leaflet about the basic account on display in the branch. At the branch, the receptionist also told the CAB adviser that their basic account was one of their most popular accounts. In complete contrast another bank told the CAB adviser that it was the bank's policy not to display leaflets promoting the basic bank account.

In March 2005 North Liverpool CAB and Speke Advice Service (CAB) Ltd undertook their own research into basic bank accounts to find out if the picture differed at a local level. The results from the mystery shopping they carried out led them to conclude, "staff appear not to be trained about who basic accounts are appropriate for, nor do they appear keen to promote information about basic accounts. There also appears to be little promotional or information material about the accounts, e.g. how to open and access them".<sup>18</sup>

- 2.13 These disappointing results are not confined to evidence collected by bureaux. Mystery shopping exercises by the BCSB have consistently found that information on basic accounts is not readily available, with their latest round of research concluding "it remains a concern that in 62 per cent of cases literature was not on display alongside other current account promotional material in the banking hall."<sup>19</sup>
- 2.14 It is perhaps unsurprising that branch staff do not promote basic bank accounts. Since they are not deemed to be suitably profitable they are unlikely to feature in the sales targets which are set centrally so branch staff have few incentives to sell them. Even the BCSB has been moved to comment that it does not rule out staff sales incentives as a possibly significant factor in determining the type of account that is promoted by branch staff.<sup>20</sup>

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<sup>18</sup> *Money Talk – Report into Basic Bank Accounts in Liverpool*, North Liverpool CAB and Speke Advice Services (CAB) Ltd, March 2005

<sup>19</sup> *Survey of subscribers providing basic bank accounts*, Banking Code Standards Board, November 2005, page 6

<sup>20</sup> *ibid*, page 6

- 2.15 Our evidence also reveals that some branch staff's knowledge of basic bank accounts can be unsatisfactory, with contradictory information given by different branches of the same bank. As one CAB survey notes, "in general the information from banks [about basic bank accounts] was not consistent, different branches gave different information and even the same branches gave different information".<sup>21</sup> The fact that knowledge about basic bank accounts differs from one branch to another results in an inconsistent application of the rules, and causes an unhelpful degree of confusion among consumers. Such poor practice contravenes the Banking Code, which requires that staff understand the products they offer.<sup>22</sup>

### **Banks' attempts to sell accounts other than basic bank accounts**

- 2.16 The Banking Code rules relating to basic bank accounts have recently been strengthened,<sup>23</sup> and the most recent version now states that banks offering basic accounts will "assess whether your needs are suited to a basic bank account (if we offer one) and if they are, we will offer you this product; [and will] offer you a basic bank account if you specifically ask and meet the qualifying conditions for one."<sup>24</sup> The BBA and the APACS (the UK payments association) assert that the commitment in the new version of the Banking Code is equivalent to the French statutory right to a bank account.<sup>25</sup>
- 2.17 In theory then, low income consumers should not experience any problems opening a basic rather than full current account. Nevertheless, CAB evidence shows that people experience real problems. Some bank branch staff appear, at best, to be ignorant of the undertakings in the Banking Code or, at worst, seem intent on ignoring them:

A CAB in South-East Wales reported that staff from one bank subjected a client who wanted to open a basic bank account for receipt of his benefits to a full 20 – 30 minute sales talk on everything from a full current account to home insurance, which he did not want.

- 2.18 Most worryingly, it appears that banks ignore requests by consumers for the basic bank account, selling them a full current account instead. For example:

North Liverpool CAB and Speke Advice Service (CAB) Ltd found that one bank admitted that they "would always try to open a current account rather than a basic account, as these are better",<sup>26</sup> while the BCSB's mystery shopping exercise found that "even where a [basic bank

<sup>21</sup> *Money Talk – Report into Basic Bank Accounts in Liverpool*, North Liverpool CAB and Speke Advice Services (CAB) Ltd, March 2005

<sup>22</sup> Key commitment 2 of the Banking Code states "We will publicise this code, and make sure that our staff are trained to put it into practice".

<sup>23</sup> *Independent Review of the Banking Code: Report to Code sponsors - Summary of recommendations*, Elaine Kempson, Personal Finance Research Centre September 2004, Paragraph 2. 3.1

<sup>24</sup> *The Banking Code - Guidance for subscribers* (March 2005)

<sup>25</sup> *Financial Inclusion – access to advice, banking and credit*, BBA and APACS, November 2005

<sup>26</sup> *Money Talk – Report into Basic Bank Accounts in Liverpool*, North Liverpool CAB and Speke Advice Services (CAB) Ltd, March 2005

account] was clearly appropriate, in 20 per cent of cases staff attempted to dissuade applicants from taking such an account".<sup>27</sup>

A CAB in Nottinghamshire reported that a client with schizophrenia and in receipt of income support and disability living allowance went to a bank to open an account in order to receive benefit payments from the DWP. The client was granted an account, but was also offered a £2,000 loan, a £600 overdraft and use of a credit card. The client is now in financial difficulties.

In April 2005 a CAB in Cumbria advised a client with multiple debts to open a basic bank account. The CAB had given the client the FSA leaflet<sup>28</sup> in order to help them choose one. The clients chose one particular bank because it had a local branch. When the client had completed the application form, the bank staff told them they could not have the basic account, but could have a full current account instead. When the clients told the bank that they had been advised by the CAB to open a basic account and produced the FSA leaflet, the bank grudgingly agreed to open one.

In April 2005 a CAB in Worcestershire had a client with debts of approximately £17,000 in unsecured lending and credit cards. These debts caused his bank to close his account and cancel his standing orders. The client then got a new job and needed to open a new bank account to receive his wages. He wanted a basic bank account so that he would not be able to incur any further debt, but when he asked for this the bank informed him that a basic bank account would not be suitable. Instead they offered him a current account with a cheque card, potentially allowing him to get into greater debt.

2.19 These examples appear to contravene the further requirement contained in the Code "to give you information about a single product ... if you have already made up your mind"<sup>29</sup> and show that despite a strengthening of the Banking Code recommended by the Independent Reviewer of the Banking Code, banks continue to fail to adhere to this.

2.20 Some banks use credit scoring to decide which account an individual should be offered. For example:

One bank told Speke CAB and North Liverpool CAB that they would always try to open a current rather than basic account because the facilities were better and that they would always use a credit check.

2.21 The BCSB research also highlights this issue. Even where their mystery shoppers asked specifically for a basic account, little notice of their request

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<sup>27</sup> *Survey of Subscribers providing basic bank accounts*, Banking Code Standards Board, November 2005. p.10

<sup>28</sup> *No bank account? Why it could pay you to have one*, Financial Services Authority

<sup>29</sup> *The Banking Code - Guidance for subscribers* (March 2005).

was taken. One of their mystery shoppers had the following to say about their experience:

“Three times I explained the simple needs and three times she said they would always start with the best account and work down.”

### **Lack of access to basic bank accounts for people in debt or undischarged bankrupts**

- 2.22 The use of credit scoring by some banks helps to explain the prevalence of CAB evidence on people in financial difficulties or who are undischarged bankrupts being unable to open a basic account. As a result, people with these problems suffer financial exclusion.
- 2.23 Basic bank accounts have been designed with the needs of the unbanked in mind, who have not had access to mainstream financial services before. However, basic accounts are also very useful for people with multiple debts, particularly those with income which would otherwise go into an overdrawn current account and be used to service the debt, leaving them without enough income to meet their essential needs, or to make offers of repayment to all their creditors. Consequently bureaux commonly have to advise clients with overdrafts to open a new basic bank account which will enable them to manage their money and deal with their debts, without compounding their indebtedness.
- 2.24 Debt is a growing problem in the UK – over the last 10 years CAB enquiries about consumer debt have increased by 118 per cent. Bureaux report that they often have to deal with overdrafts as part of a multiple debt case. Enquiries to CABx about overdrawn accounts form a significant proportion of debt enquiries – it is the fourth most common debt.<sup>30</sup> So there is a potentially large market for basic bank accounts for this group of people.
- 2.25 However, it can be very difficult for someone with multiple debt problems to open a basic bank account. As the table below shows, a significant number of banks do not allow people in debt to open a basic bank account:

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<sup>30</sup> The most common debt enquiries to CAB from July to September 2005 related to (in order of magnitude) credit card and storecard debts (23,138 enquiries), unsecured personal loan debts (15,151 enquiries), council tax debts (6,961 enquiries) and bank and building society overdrafts (6,003 enquiries).

**Table 2.1 – Reasons for refusing basic bank accounts<sup>31</sup>**

<b>Bank</b>	<b>Reasons for refusal</b>
Abbey	Undischarged bankrupt, record of fraud
Alliance & Leicester	Undischarged bankrupt, some bad debts, depending on individual circumstances
Bank of Ireland	Undischarged bankrupt, record of fraud, record of bad debts
Bank of Scotland	Undischarged bankrupt, record of fraud
Barclays	Record of fraud
Clydesdale	Undischarged bankrupt, record of fraud, some bad debts
Cooperative Bank	Record of fraud
First Trust Bank	Undischarged bankrupt, record of fraud, record of bad debts
Halifax	Undischarged bankrupt, record of fraud
HSBC	Undischarged bankrupt, record of fraud
Lloyds TSB	Undischarged bankrupt, record of fraud
Nationwide Building Society	History of fraud
NatWest	Undischarged bankrupt, record of fraud
Northern Bank	Undischarged bankrupt, record of fraud, record of bad debts
The Royal Bank of Scotland	Undischarged bankrupt, record of fraud
Ulster Bank	Undischarged bankrupt, record of fraud
Yorkshire Bank	Undischarged bankrupt, record of fraud, record of bad debts

- 2.26 Banks' refusal to open basic accounts for those in debt seems to stem from their use of credit scoring. However, the application of credit scoring to basic bank accounts is unwarranted since these accounts offer no credit. As the BCSB note "there should be no necessity for any form of credit searches as the BBA has been designed as an account that offers no credit. If there is a requirement to search to confirm identification and address, an identity check only will suffice and such a check with a [credit reference agency] does not leave a footprint on the credit register."<sup>32</sup>

A CAB in Cumbria recommended that their client open a basic bank account. However, he was only allowed to open a savings account. When the bureau called to query this, they were informed that the bank submits all applications to credit scoring and credit reference agency checks.

A CAB in Wiltshire had a client who was experiencing debt problems so was given advice to open a basic bank account. However, he was refused an account as he had a bad credit history. This meant that the client was unable to take steps to deal with his debt – he did not wish to

<sup>31</sup> *Basic bank accounts – your questions answered*, FSA, October 2005

<sup>32</sup> *Survey of subscribers providing basic bank accounts*, Banking Code Standards Board, November 2005, page 17

make payments to his existing account as the bank would use them to pay off his non-priority debts to the bank, at the expense of paying his other, more pressing creditors.

A Surrey CAB reported that a man who was too ill to work needed to claim incapacity benefit when he had used up all his savings. The Jobcentre told him to open a new basic account for payment of his benefits. The client sought advice when he was turned down by two banks because of a poor credit record.

- 2.27 People who are undischarged bankrupts suffer particularly acute problems in being able to open basic bank accounts. As Table 2.1 shows, only three banks say they are willing to allow undischarged bankrupts to open their basic account. One of the consequences of bankruptcy is that the debtor's bank account may be frozen in case there are any assets which could be used to distribute to creditors, and in many cases the bank subsequently closes the account. This is an important issue, as personal bankruptcies are on the increase in England and Wales. The latest personal insolvency figures show an increase of 46 per cent in personal insolvencies over the past 12 months.<sup>33</sup>

A CAB in Northern Ireland reported that a woman who had petitioned for bankruptcy two months earlier had her bank account frozen by her bank. The bank advised the client that this was done by the Insolvency Service, and also told her that she would be subject to an installment order for anything up to 10 years. Yet the Insolvency Service confirmed to the client that they had written to the bank advising them that they had no interest in her bank account.

- 2.28 The limited choice of bank accounts for undischarged bankrupts arguably contradicts the government's policy intention that bankruptcy should allow people in unmanageable debt to make a fresh start:

A CAB in North Yorkshire reported that they were approached by a couple in February 2005 who were unable to open a basic bank account because both partners were undischarged bankrupts. The inability to open an account had meant that the client's partner had lost a job offer because the employer had insisted on paying by direct transfer. Both the client and her partner therefore remained on benefits.

A CAB in Staffordshire reported that a man who had recently petitioned for bankruptcy needed to open a basic bank account for receipt of his incapacity benefit. He sought advice when he had visited all the local banks, none of whom were willing to open an account due to his recent bankruptcy.

- 2.29 This is also a problem for people in employment as the following case shows:

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<sup>33</sup> DTI press release, 4 November 2005

A CAB in Staffordshire had a client who had his current account frozen when he was made bankrupt in March 2004. He had not been able to open another account so had to resort to receiving his wages by cheque. However, he had to pay six per cent to cash the cheques from his employer at a cheque cashing shop, meaning that he was losing around £50 of his wages per month.

### **Delays in opening basic bank accounts – often due to over-centralisation**

- 2.30 Bureaux report that their clients are experiencing long delays when attempting to open basic accounts with some banks, as the relevant clearance processes are carried out centrally rather than at branches. This presents particular difficulties as banks can often insist on original documents being sent to the relevant processing department. Delays can leave clients without any income to meet essential needs, and they can soon get into debt which they may struggle to repay. For example:

A CAB in Sussex reported that their client applied for a basic bank account and was obliged to send his ID off in the post. He was left with no form of ID for at least two weeks since the head office would not accept Xeroxes or confirmation from an employee that they had seen originals in the bank branch.

- 2.31 Indeed it appears delays may be getting even worse. One bank has recently changed their application process for opening a basic bank account, and the new procedure involves completing a four page postal application which must include photocopies of any proof of identity. Potential applicants are informed that it takes about four weeks to process the application. Other bureaux have reported that another bank requires that original documents must be submitted and sent to Glasgow for processing.
- 2.32 Bureaux in LHA pathfinder areas regularly report lengthy delays in opening accounts, which causes difficulties in accessing their payments and can have a serious impact on clients' ability to pay their rent on time, exposing them to rent arrears, and the potential threat of eviction.

A CAB in a pathfinder pilot area reported problems experienced by their client who needed to open a bank account in order to receive LHA. She made an application for a basic bank account in the local branch in early February 2005, presenting identification documents which were accepted and verified by branch staff. After several weeks had passed the client asked the bank for details of her account so that she could arrange to have her LHA paid into it. She was told that it might take up to three months to open because there was such a high demand for accounts.

A CAB in a pathfinder area reported a case where a client applied for a bank account in November 2004 but the account had still not been opened by February 2005, despite the client phoning the bank's

helpline. This delay has caused great inconvenience, as the client has had to travel to the city centre 'one stop shop' to cash her LHA cheque.

- 2.33 The BCSB also discovered long delays in opening basic bank accounts, finding that "in some cases it took up to seven weeks for an account finally to be opened, in large part due to unnecessary delays at the account opening centre".<sup>34</sup> Such delays and conditions are unacceptable. Prompt benefits payments are essential to enable claimants to meet their basic needs, so must be designed to avoid lengthy delays. And where original identification documents are required, delays are even more problematic as clients often do not possess other means of identification.

### **Difficulties opening bank accounts in rural areas**

- 2.34 People in rural areas are also experiencing problems opening bank accounts. Cost-cutting measures launched by the banks to increase their profitability have led to a contraction of the bank branch network, with nearly 6,000 bank branches having closed since 1990. This has left nearly 1,000 mainly rural communities bankless, with this trend looking set to continue. This programme of bank closures hits CAB clients particularly hard:

An Oxfordshire CAB reported that an elderly couple faced difficulties in accessing benefit payments following being moved over to direct payment. The woman was told that she could no longer collect attendance allowance at the Post Office. As there was no bank or ATM in her village she was forced to open a POCA or travel six miles to the nearest town in order to withdraw some money.

A CAB in Shropshire reported that they had advised a client, who was off work due to mental ill-health, to open a basic bank account with the only bank in her village. However, the client was turned down because she could not provide a passport or driving license to verify her identity. There was no alternative bank in the small rural community, causing the client a great deal of inconvenience.

- 2.35 The contraction of the banking network means that only four per cent of villages have a bank branch. In contrast, 60 per cent of villages have a post office branch, and the rural post office network serves approximately 12 million customer visits a week.<sup>35</sup> The Post Office is keen to move into provision of financial services to provide alternative income streams to replace the income lost by cashing benefit order books and girocheques. Their large network of branches provides a unique opportunity to make a positive contribution to tackling financial exclusion in both urban and rural areas through the provision of access to banking facilities. However, it is not possible to open a basic bank account in a post office, so people in rural areas will have to travel to the nearest town in order to open one or to have a choice of banks.

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<sup>34</sup> *Survey of subscribers providing basic bank accounts*, Banking Code Standards Board, November 2005, p.16

<sup>35</sup> *The Three Rs: Research, Urban Reinvention, Rural Network - Postcomm's fifth annual report on the network of Post Offices*, 2004-05, Postcomm, October 2005



## Upgrading basic bank accounts

- 2.36 A significant goal in spreading ownership of bank accounts is to bring financially excluded individuals into the financial mainstream, and allow them to take advantage of the benefits that this can confer. We therefore recognise that there will be cases where it is appropriate for people to move from basic bank accounts to current accounts, and that this may be something to aspire to. Reports from the BBA reveal that since the launch of basic bank accounts in 2001, 122,000 basic bank accounts have been upgraded to standard accounts.<sup>36</sup>
- 2.37 However, we are concerned that banks may take the opportunity over time to upgrade accounts to conventional accounts with full banking facilities where this is not in an individual's best interests:

A CAB in Wiltshire reported that their client sought to move from a basic bank account to an account with a chequebook and debit card. The staff at the bank branch recommended an account which has charges of £9 per month. These charges were not mentioned at the time. As a consequence she has accrued charges totalling more than £50. The bank staff failed to inform the client about another current account which has a chequebook and debit card but has no charges.

A CAB in the West Midlands reported that a single 51 year old man needed to open a basic bank account for receipt of his JSA. When the client went into the bank to open the account, he explained that he was not very good with money and that he wanted an account which did not allow him to go overdrawn. The bank assured him their basic account would not allow this. Safe in this knowledge, the client felt able to withdraw money from his account without having to check the balance first, as he knew he would be informed if there were insufficient funds in the account for the withdrawal. However the bank upgraded the client's account without asking him, and on one occasion he went overdrawn. The first time the client realised that his account was changed was when the bank informed him they had given him an overdraft facility of £50. The client was also charged £50 for going overdrawn, and with interest and charges, he now owed the bank £238. His account was closed and the client opened a POCA instead. The client subsequently received a letter from a debt collection agency threatening legal action if he did not pay the overdraft.

- 2.38 In addition, there may be a temptation for banks to use the opening of a basic bank account as an opportunity to sell additional banking and other financial services.

A CAB in Hampshire reported a case in which their clients had multiple debts, and had opened a basic bank account with a high-street bank to

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<sup>36</sup> *Basic bank account take-up continues*, BBA Press Release, 4 July 2005

have their benefits paid into. Despite being in debt and having to rely on benefits as their sole source of income, an official at the bank attempted to persuade the clients to take out life assurance. On advice from the CAB, the client declined this offer.

- 2.39 No doubt, some account holders will welcome the additional services and products as appropriate to meet their changed and developing banking needs. However, there is a clear danger of mis-selling as those who take out basic bank accounts are amongst the most financially vulnerable.
- 2.40 We expect banks to recognise this fact and exercise additional care and internal controls when targeting basic bank account holders with the offers of upgraded facilities or other products.

### **The consequences of not being able to open a bank account**

- 2.41 In instances where bank accounts cannot be opened and giro cheques from the DWP are received instead,<sup>37</sup> people face a limited choice: they can cash uncrossed cheques for up to £449.99 at the Post Office<sup>38</sup> or they can go to a company which charges fees to cash the cheques. A recent report found that “the British Cheque Cashing Association (BCCA) claims that the average fee charged by one of their members for cashing a cheque is around 10 per cent of the cheque’s value.”<sup>39</sup> For people in receipt of benefits this charge can represent a very sizeable proportion of the money they have to live on.

A CAB in South East Wales reported that a client without a bank account received a benefit cheque from Inland Revenue for £3,230 in March 2005 for backdated Tax Credits. Although she had a POCA to receive benefits payments, she was unable to pay the cheque into this account as no money other than electronic payments of state benefits and tax credits can be paid into a card account. As a result the client had to resort to a cheque cashing company. She was charged £123 to cash the cheque.

A Somerset CAB reported the case of a client on low income who was working full time. He had tried to open a bank account in order to have his wages paid in but was turned down because he did not have a passport or driving licence. The bank refused to accept his NHS card from his doctor, his wage slips, a letter from his landlord and ID from

<sup>37</sup> As at April 2005 the DWP was paying 712,000 customers by cheque, Hansard, House of Commons, 20 June 05, Column 708W

<sup>38</sup> “Cheques are issued [by the DWP] to the claimant’s home address on a regular basis to match the frequency of their benefit or pension payments. Uncrossed cheques may be cashed at any post office and will give claimants immediate access to the value of the cheque. Any uncrossed cheques may, and all crossed cheques must, be paid into bank accounts. Presently cheques of value up to £349.99 are not crossed. The crossing limit for DWP cheques will be raised from October 2004 to £449.99.” National Federation of SubPostmasters, June 2004

<sup>39</sup> *Would you credit it?*, Paul A Jones & Tina Barnes, Liverpool John Moores University, January 2005, p.43

work. As a result, he is currently being paid by cheque and has had to use cheque-cashing facilities where he incurs large fees.

- 2.42 These problems will become more acute in relation to LHA because the fallback option of opening a POCA is not available. Five of the bureaux in the LHA pathfinder areas have been particularly well placed to monitor these problems because they have specific contracts with their local authorities to help clients facing difficulties managing their financial affairs, including the opening of bank accounts. Many of their clients cannot open a bank account because they do not have sufficient proof of their identity and address which is acceptable to the banks.

A pathfinder CAB client had spent a considerable amount of time trying to open a bank account but with no success as he did not have the required photographic ID. He was therefore being paid LHA by crossed cheque. This meant he had to go to the council's One Stop Shop every four weeks to get his cheque cashed, causing him stress and additional worry about how to pay his rent.

- 2.43 The LHA guidance allows for payment to be made direct to the landlord where the claimant is unable to open a bank account. However this does not resolve the problem for people whose LHA exceeds their rent. These people are then penalised for not having a bank account because they have to pay for the privilege of cashing their "LHA excess" cheque:

A CAB in an LHA pathfinder area reported that their client tried to open a bank account to receive LHA but was turned down because of a lack of acceptable ID. The bureau recommended that the local council make direct-to-landlord payments for a period to allow client time to obtain ID and open a bank account. The local council accepted this and began making direct payments to the landlord. However, the client has excess benefit of £17.50 per week which the local council sends to the client by crossed cheque, even though they are aware that he does not have a bank account to pay it into. This forces him to use a substantial part of his benefit entitlement just to cash the cheque.

- 2.44 In some instances, bureaux have reported that their local authorities have negotiated directly with their corporate banking partner to allow HB claimants who do not possess a bank account to cash their cheques free of charge at their branches.<sup>40</sup> We applaud this innovative approach, and challenge other local authorities to replicate this example. Given that local councils in England and Wales are responsible for £74 billion of public expenditure we are keen to see them use their procurement and banking power to benefit local people.<sup>41</sup>

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<sup>40</sup> London Borough of Wandsworth and Conwy County Borough

<sup>41</sup> See [www.lga.gov.uk/About.asp?lsection=456](http://www.lga.gov.uk/About.asp?lsection=456)

## The need for support for vulnerable people

- 2.45 Not everyone will be able to open a bank account easily, prompted solely by receipt of a leaflet about the banking options available to them. Some people, often the most vulnerable and socially excluded, will need practical support to enable them to open and use a bank account.
- 2.46 CAB evidence shows the level of support that some people need to open a bank account:

An adviser at a pathfinder CAB spent a whole day with an elderly woman with memory problems to get a bank account opened for her. The details of this case are reproduced in Appendix 1 of this report.

A Kent CAB reported that a man with severe mental health problems was taken to the bureau for help with his debt problems by his social worker. The social worker explained that the client's mental health problems were so severe that the client had not claimed state benefits for two years. The CAB helped him claim income support and advised him to open a basic bank account for payment. The client and social worker visited five bank branches, only one of whom was willing to let him open an account, but only when he could bring them a letter of entitlement to benefits. The social worker told the CAB that it was a totally humiliating experience for the client, particularly as most banks did not take him into a private interview room to tell him he could not have an account, but gave him their decision in earshot of other people using the bank.

A CAB in Sussex reported that a client with mental health problems and an alcohol and drug addiction tried to open a basic bank account. However, due to his volatile behaviour, the bank he visited called the police who arrested him. The client felt that the bank staff could have tried to understand his needs, rather than just call the police.

- 2.47 Recent FSA research notes that "many commentators think that the best way to give advice is face to face",<sup>42</sup> while other studies have found that this is particularly the case for vulnerable consumers, those on a low income and the financially unconfident, who find support and guidance essential in digesting financial information.<sup>43</sup>
- 2.48 Some bureaux have received funding for support to individuals opening bank accounts. A number of bureaux received funding from DWP in 2004/5 to provide financial literacy work with hard-to-reach groups claiming benefits who had not opened an account, and eight bureaux in pathfinder areas have received funding to provide money advice and support to people who need to open bank accounts.

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<sup>42</sup> *Advice and the best way of delivering it – Literature survey for the Financial Capability Generic Advice project*, Virginia Wallis, August 2005.

<sup>43</sup> *Would you credit it?*, Paul A Jones & Tina Barnes, Liverpool John Moores University, January 2005

## Conclusion

- 2.49 This chapter has highlighted the range of problems people experience in attempting to open basic bank accounts. What is clear is that the process of opening an account is often more difficult than it should be, with the most vulnerable people frequently finding that there are significant obstacles placed in their way as they attempt to open accounts. It is clear that more needs to be done by the banking industry to tackle these problems.
- 2.50 The next chapter looks at the difficulties that are encountered by people after they have successfully opened a bank account and are using it for receipt of benefit payments. These difficulties are experienced by people with both current or basic bank accounts.

### 3 Problems operating accounts

- 3.1 This chapter looks at the problems people experience after they have opened an account. CAB evidence suggests that providing access to bank accounts is not enough to ensure that people are financially included. The design and features of the account, whether current or basic, are also important. A recent Citizens Advice and IPPR report gave this definition of financial inclusion: "For full inclusion to happen, citizens should have access to appropriate financial products and services and the opportunity, ability and confidence (and appropriate support and advice) to make informed decisions about their financial circumstances, as would be regarded as a minimum to organise their finances in society effectively."<sup>44</sup> People also need protection from unfair practices by the financial services industry.
- 3.2 CAB evidence shows that more needs to be done to achieve full financial inclusion in relation to banking services. CAB clients are having problems operating their bank accounts and managing their benefit income for the following reasons:
- Banks appropriating money in accounts to pay other debts.
  - The timing of direct debits, standing orders and administration charges.
  - Poorer levels of service for basic bank account holders.
- 3.3 CAB clients are likely to be on low incomes. Recent research for Citizens Advice by MORI shows that CAB clients are predominantly in social groups DE and more likely to be tenants of social housing than the population as a whole.<sup>45</sup> They are therefore more vulnerable to very small income shocks, and are at risk of falling into unmanageable debt. Whilst these debts may seem small, they can have a great and detrimental impact on people's lives.

#### **Banks' right of set-off**

- 3.4 CAB evidence shows that banks can take money out of a customer's basic or current account to pay other debts to the bank without checking the customer's circumstances first. Nearly 40 per cent of the evidence forms submitted by bureaux and analysed for this report concerned this issue.
- 3.5 Under accepted banking practice, banks have a general right to evaluate a customer's financial situation and, if necessary, to 'combine' the accounts held by that customer. In reality, this means that a bank can transfer money from an account that is in credit in order to make payments that are due on another account. This principle is known as the right of 'set-off'. According to the Financial Ombudsman Service (FOS), this right does not have to be mentioned in the Terms and Conditions which apply when opening any bank account including savings accounts. The only onus on the bank is that they should give the client a 'reasonable' amount of time to pay the debt; although

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<sup>44</sup> *Beyond Bank Accounts: full financial inclusion*, Sue Regan and Will Paxton, ippr and Citizens Advice, December 2003

<sup>45</sup> *Unmet need for Citizens Advice Bureaux*, MORI, September 2004

what is deemed reasonable is left to the discretion of the individual banks. Likewise, there is no expectation that a bank should warn a client that it is about to enact its right of set off. Instead banks are simply advised by the FOS that they should tell a client as soon as possible after they have made a transfer.<sup>46</sup>

- 3.6 Whilst FOS states that a bank exercising right of set-off should only take an amount totalling a missed payment, they do not place a limit on the amount that a bank can remove from an account. Banks are only asked not to abuse their position by removing all the funds in an account.
- 3.7 The Banking Code is silent about the right of set-off, though it does commit subscribers to treat customers in financial difficulty positively and sympathetically. This responsibility is defined in the Banking Code Guidance for Subscribers which states “the subscriber should take into account any other accounts that the customer may have with the subscriber if these have a credit balance...the subscriber should leave the customer with sufficient money for reasonable day-to-day expenses, taking into account individual circumstances”.<sup>47</sup>
- 3.8 Evidence from bureaux shows banks are not adhering to this guidance, and as a result, CAB clients are suffering excessively. Cases reveal that banks are removing income - and for the majority of our clients this is benefit income required for essential needs - to satisfy outstanding debts. Some clients are even finding that banks are removing all their income leaving them with nothing to live on.

A Buckinghamshire CAB reported that they saw a client who has her son's disability living allowance (DLA) and child benefit (CB) paid into her current account. The account was overdrawn and she also had two consolidation loans so owed £27,000. The bank removed the client's DLA and CB payments for two months, resulting in severe hardship with the loss of some £500 a month benefit income. This left the client short of money for food for her children.

A South West Wales CAB saw a client who was experiencing financial hardship and was in debt. The client had two young children and was in receipt of income support. Her bank had been accessing the client's account to meet some debt repayments, leaving the client with no money to live on. The client was left in a situation where she could not cover her rent and risked eviction.

A Lincolnshire CAB reported that they saw a client who has been overdrawn twice in one month. The bank used the client's child tax credit and child benefit to pay off the overdraft and the overdraft charges. This has left the client with no money for her children or to pay for her living costs.

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<sup>46</sup> *Banking: firms' right of 'set off'*, Financial Ombudsman Service, Ombudsman News Issue 40 September/October 2004

<sup>47</sup> *The Banking Code Guidance for Subscribers*, paragraph 14.2, March 2005

A rural CAB in the Midlands saw a client who had been unable to open a basic bank account. As a result her DLA was paid into a current account. The account has an overdraft and the whole amount of her recent DLA payment of £65 was used to 'service' her overdraft. This is despite repeated requests to not use this income.

A Humberside CAB reported that a lone parent with four children, and who was expecting a baby, was shocked to discover that £400 of her social fund maternity grant had been transferred out of her bank account to pay other debts leaving her with about £30 to live on. The client told the bureau that the bank had taken £200 out of her account a few weeks before. On contacting the local branch she was asked to speak to a helpdesk who informed her that even though an offer of repayments for the amount she owed the bank had been accepted, they would check her account regularly and take any money found to be in it.

- 3.9 Such practices obviously have major implications for the planned rollout of LHA payments to bank accounts. As discussed earlier, reform of HB entails payment being made direct from the local authority to the claimant's bank account for tenants in private rented accommodation. So if a client is in debt on another account, their LHA payment might be appropriated to pay it, leaving the client unable to pay their landlord, and facing rent arrears and even eviction. In comparison there are not such drastic consequences for non-payment of an unsecured credit debt.
- 3.10 This practice does nothing to help people with multiple debt problems, and can reinforce poverty and social exclusion. If the bank chooses to enact its right of set-off and wholly removes the balance in a client's account for money owed on a non-priority debt - a credit card for example - it may prevent the client from honouring other, perhaps more critical, debt repayments. And as banks are not duty bound to inform the client that they are going to use their right of set-off, the client is not given the opportunity to manage their other financial commitments.

### **Direct debits and administration charges**

- 3.11 It is not just the banks' right to set-off which is undermining the financial welfare and stability of CAB clients. Charges levied by banks for items such as failed direct debits, standing orders, unauthorised overdrafts and bounced cheques can also cause considerable hardship. This is a growing problem: research by Egg highlights the substantial 71 per cent increase over the last five years in the use of direct debits as a means of paying household bills and nearly a third of all UK current account holders claim to have been hit by a charge for going over their agreed overdraft limit.<sup>48</sup>
- 3.12 Although basic bank accounts have a direct debit facility, the majority do not allow for an overdraft facility. Therefore if one or more direct debits fail

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<sup>48</sup> Not – so – 'current' account, Egg plc, September 2005



because there are insufficient funds the consumer will be penalised for failing to honour a direct debit and may then be charged for having an unauthorised overdraft.

- 3.13 The Banking Code stipulates that banks should exercise consideration when applying charges, especially if a client is in financial difficulty. The code states that 'subscribers may consider agreeing with such customers appropriate concessions relating to charges and interest payable by the customer. This may mean suspending or reducing interest, default charges and annual fees where agreed repayments do not cover them'.<sup>49</sup>
- 3.14 The table below shows the charges levied by banks for missed direct debits on their basic bank accounts, and also shows whether the account offers a free buffer zone. There is an extraordinary 160 per cent difference between the lowest and highest charges.

**Table 3.1 Basic Bank Accounts – Summary of charges<sup>50</sup>**

Bank	Free Buffer Zone	Charge for unpaid Direct Debit
Abbey	No	£35
Alliance & Leicester	No	£34
Bank of Ireland	No	£38
Bank of Scotland	No	£39
Barclays	No	£15
Clydesdale	No	£35
Cooperative Bank	No	£19.50
First Trust Bank	£10	Under £35 = £22.50 Over £35 = £37.50
Halifax	No	£39
HSBC	£10	No
Lloyds TSB	£10	No
Nationwide Building Society	No	£30
NatWest	No	£38
Northern Bank	No	£37.50
The Royal Bank of Scotland	No	£38
Ulster Bank	No	Under £20 = £35 Over £20 = £37.50
Yorkshire Bank	No	£35

- 3.15 Table 3.2 shows charges for unpaid direct debit for some current accounts. Viewed together, both tables highlight the comparable level of charging for both basic and current accounts. For example, Halifax charges exactly the same amount for both its current and basic accounts.

<sup>49</sup> *The Banking Code*, Section 14.3, March 2005

<sup>50</sup> Information taken from FSA leaflet *Basic bank accounts – your questions answered*, October 2005

**Table 3.2 Unpaid direct debit charges for current accounts<sup>51</sup>**

Bank	Charge for unpaid direct debit
Abbey	£32
Alliance and Leicester	£34
Barclays	£30
Halifax	£39
HSBC	£30
First Direct	£37.50
Lloyds TSB	£35
Natwest	£35
Royal Bank of Scotland	£35

3.16 Comparing the levels of charges for failed direct debits with rates of benefits gives an insight into how such charges can often lead to greater debt problems:

- The personal allowance for income support for an individual who is 25 or over is £56.20 per week.
- Incapacity benefit for an adult dependent at the long-term rate is £45.70 per week.
- Child benefit for an only or eldest child is £17.00 per week.

3.17 Thus, a person on income support would be left with less than half their weekly benefit entitlement to live on if their bank charged £32 for a failed direct debit. CAB evidence shows the consequences of banks failing to adopt proportionality when making administration charges:

A Suffolk CAB reported that they saw a client who is on benefits. Her weekly benefits income is £65.52. The client has a bank account and she has arranged for the payment of four direct debits each of approximately £5 to £10 a month. On four occasions the client did not have enough funds to cover the direct debit. The bank charged the client £32 for each unpaid direct debit. This accrued over two months. The bank then debited the client's account for £128.00. Thereafter, it deducted the full value of her benefit payments on two successive weeks. This left the client with no money to live on.

An Oxfordshire CAB's client, a lone parent, did not receive her wages on time and so had insufficient funds in her account to pay her direct debits. She was charged for each failed direct debit, at a total cost of £344.

A Surrey CAB reported a case in which their client, who is a single parent on benefits with multiple debts, had been unable to pay her direct debits. Over the last six months she had been charged nearly £1,500 for the failed transactions.

<sup>51</sup> Not - so - 'current' account, Egg plc, September 2005

- 3.18 Administration charges also have implications for an individual's overall financial stability. Customers who open basic bank accounts for the receipt of their benefits are unlikely to have the financial resources to cope with these charges, so a relatively small debt can rapidly spiral out of control, leaving them with very little or nothing to live on.
- 3.19 The timing of direct debit payments coming out of accounts and income being paid in are sometimes inconvenient for any consumer. However people in receipt of state benefits and tax credits can experience acute debt as a result of hefty administration charges being added to their account:

A Greater Manchester CAB saw a client who had set up a bank account for his benefits to be paid into. Once the benefits are paid in, the client's direct debits go out. The client has received a letter from the bank saying that he has incurred charges on his account because he had insufficient funds to pay his direct debits. This is due to the fact that the DWP had failed to pay his benefits in on the correct date and as a result the client had incurred the overdraft charges.

A West Midlands CAB saw a client who was an undischarged bankrupt. The client could only open a basic bank account. Due to the timing of the payment of the tax credits and the client's direct debits there was a delay in funds being credited to his new account which resulted in the client being charged over £100 in unpaid direct debit fees.

A Kent CAB saw a client who had her income support stopped for a period of three months in 2004. The DWP gave no reason for their error and have since backdated payments. However, the delay has caused financial problems, which led to the client's overdraft facility being exceeded, prompting a charge of £25 a month.

A Merseyside CAB saw a client who had severe and enduring mental illness. The client had opened a bank account to have benefits paid into. The client was told to return the order book and that the next payment (due in two weeks) would be paid straight into his bank account. It wasn't, and in the interim the client had written one cheque for £11 on the assumption that he would have been paid his benefit. The cheque subsequently bounced and he was charged £30 by the bank. The DWP didn't manage to pay his benefits into his account for the next three months. By this time he had incurred £90 in bank charges. At the time of the client seeking advice, neither the bank nor the DWP were prepared to take responsibility for this.

### **Poorer levels of service for basic bank account holders**

- 3.20 Whilst the government is keen for individuals to set up bank accounts, and basic accounts are intended to be an easy way for this to happen, it is apparent from our evidence that some banks provide a poorer service to basic account holders.

- 3.21 Bureaux have recently started to report that banks are imposing longer timeframes on the clearing of cheques into basic accounts. Instead of the usual three to four working days, it appears that it is taking up to 10 days to clear any cheque through a basic bank account. The recent BSCB report found that when undertaking mystery shopping visits, five banks had this policy, but only three explicitly advised customers that cheque clearance times for their basic account could take up to 8 to 10 working days.<sup>52</sup> CAB evidence shows the consequences of this change of policy:

One LHA pathfinder CAB saw a client who had had to open a basic bank account in order to receive his LHA payments. However, the client is now in dispute with his bank over charges on his account due to going overdrawn because cheques paid into the account took 10 days to clear so when his direct debits came due there were insufficient funds to meet them. The client now has a debt with the bank and he is unable to pay anything into the account because the amount owed will be taken from the account. The client is now in the position where he has to open another account so that he can receive his future LHA payments and pay his rent.

A Wiltshire CAB reports that two banks have now increased the time taken to process deposited cheques in basic bank accounts. Previously it should have only taken four days to process a cheque; it now takes seven working days.

- 3.22 This second-class service given to basic bank account holders is unfortunately spreading to other aspects of the banking experience. Recently, it has been reported that basic bank customers are to be actively discouraged from using services at branches by some banks, with one bank prohibiting basic bank holders from withdrawing less than £200 per day over the counter<sup>53</sup>, while another is seeking to deter basic bank account holders from using their branch network.<sup>54</sup>

### **Access to cash in rural areas**

- 3.23 As we highlighted earlier, there are a decreasing number of bank branches in rural areas. As a result, rural bank account holders have to rely more heavily on accessing their money via ATMs. However, when rural banks close they are not necessarily replaced by ATMs. In the cases where ATMs are available, 37 per cent make a charge for withdrawing cash. Such charges hit those on low incomes or benefits particularly hard, as they tend to take out smaller denominations of cash. For example:

A CAB in Derbyshire reported that a disabled woman in receipt of benefits lived in a small village with no free cash machine. There were two fee-charging machines, one charging £1.50 per transaction and the

<sup>52</sup> *Survey of Subscribers providing basic bank accounts*, BCSB, November 2005

<sup>53</sup> [www.lloydstsb.com/current\\_accounts/basic\\_bank\\_account.asp](http://www.lloydstsb.com/current_accounts/basic_bank_account.asp)

<sup>54</sup> [www.money.guardian.co.uk/news/\\_/story/0,1456,1560519,00.html](http://www.money.guardian.co.uk/news/_/story/0,1456,1560519,00.html)

other £1.30. As a result the client was living on a reduced income, when she needed every penny to make ends meet.

A CAB in Kent reported that one of their multiple debt clients lived in a village outside the town where the only cash machine, which charged £1.50 per transaction, was situated in the local Post Office. As the client needed to budget very carefully due to her debts, she only withdrew small amounts, paying a significant fee each time, which could have been better used on her essential expenditure.

- 3.24 The upshot of this lack of banking facilities in rural areas generally means that people in rural communities have to travel greater distances to access their money at bank branches or Post Offices in nearby towns, with fares for transport rapidly eroding any benefit payments.

A CAB in Leicestershire dealt with a client with outstanding debts who lived in a rural village and was in receipt of income support, and carers allowance for her disabled daughter. To withdraw money from her bank account she had to catch the bus to the nearest town because there were neither shops nor ATMs in her village. The cost of this travel added to her budgeting difficulties and made her feel very isolated.

- 3.25 Enabling all bank customers to withdraw their money from the post office would not only provide greater convenience for bank customers but would potentially throw a lifeline to rural Post Office branches that have seen a major reduction in their business following the introduction of direct payment.<sup>55</sup>
- 3.26 Currently, however, although all basic bank account holders can access their money over the counters at Post Office branches, only current account holders with certain banks are able to do so.<sup>56</sup> Those that are offered this facility place great value on it: in research carried out for PostComm by Hall & Partners Europe Ltd., partner bank customers were asked whether they believed that the cash withdrawal service at the Post Office was a good thing, and “89 per cent were positive about the service; 48 per cent said the Post Office was more convenient than using a bank branch; 38 per cent said it was more convenient as they were using the Post Office for other reasons anyway; 36 per cent said that the Post Office is closer.”<sup>57</sup>
- 3.27 The Post Office’s large network of branches gives it a unique opportunity to make a positive contribution to tackling financial exclusion in both urban and rural areas through the provision of access to banking facilities. Post Office Ltd has 14,609 branches in the UK (as at end March 2005), with around 8,037

<sup>55</sup> The National Federation of Subpostmasters/MORI research on subpostmasters’ pay showed that before the introduction of direct payments around 40 per cent of Post Office business had previously derived from benefits and pensions. *‘Building a viable network - fourth annual report on the network of post offices 2003-2004’*, Postcomm, October 2004, p.55

<sup>56</sup> The following bank and building society current accounts allow free cash withdrawals from Post Office branches: Barclays, Lloyds TSB, Alliance & Leicester, Co-operative Bank, Bank of Ireland, Clydesdale, Cahoot, Smile, Nationwide and First Direct (Scotland only).

<sup>57</sup> *‘Building a viable network - fourth annual report on the network of post offices 2003-2004’*, Postcomm, October 2004, p.28

of those situated in rural areas. The rural Post Office network serves approximately 12 million customer visits a week, with 84 per cent of people in rural areas living within one mile of a post office. In addition, over two-thirds of villages with between 500 and 1,000 inhabitants have a post office.<sup>58</sup> Moreover, while only four per cent of villages have a bank or building society, 60 per cent have a post office.<sup>59</sup>

## Conclusion

- 3.28 It is crucial that customers should be able to expect the same level of service and standard of facilities on all basic bank accounts. Whilst we welcome the practice of some banks not to charge for failed direct debits and to offer buffer zones on accounts, we would like to see this as a standard approach on all basic bank accounts.
- 3.29 CAB evidence demonstrates that if the government is serious about its commitment to tackle financial exclusion and ensuring that people can access and use bank accounts with confidence, the problems we have identified in this chapter need to be tackled. Citizens Advice considers that there is added impetus for action because of the planned roll-out of LHA payments to all private tenants.
- 3.30 In the final chapter we examine possible ways in which access to banking and banking services could be improved.

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<sup>58</sup> 'The Three Rs: Research, Urban Reinvention, Rural Network - Postcomm's fifth annual report on the network of Post Offices, 2004-05, Postcomm, October 2005, p.74

<sup>59</sup> House of Commons Treasury Select Committee, *Cash Machine Charges - Fifth Report of Session 2004-05*, P.46

## 4 Conclusions and recommendations

- 4.1 The preceding chapters have detailed the many problems that bureaux clients experience in both opening and operating bank accounts. The evidence demonstrates that at present there is a poor fit between the government's policy of paying benefits direct into bank accounts and some of the banking industry's current practices. The mis-match threatens to limit the success of a whole range of key government objectives, jeopardising government attempts to promote financial inclusion and thwarting the successful national rollout of LHA. More immediately, it also means that many of the most vulnerable people are denied access to a bank account, or are unfairly penalised when they open one. This is not acceptable, and it is clear that action must be taken to resolve these difficulties.
- 4.2 This chapter delivers recommendations on two fronts. Firstly, we take a fundamental look at how access to banking facilities could be transformed by engaging with the banks, and proving that it can make commercial sense to actively offer accounts to low income consumers who are unbanked. Secondly, we look to address the problems highlighted in Chapters 2 and 3 by making specific recommendations to a range of organisations to improve access to bank accounts and the way in which they are used by people on low incomes.

### Transforming access to banking

- 4.3 We acknowledge that the banks have made progress in extending access to people without accounts, and our recommendations are intended to further this progress, and help the banking industry meet their ambitious goal of halving the number of unbanked households by December 2006.
- 4.4 Banks rightly have commercial considerations to bear in mind when making decisions about their policies and practices. This commercial imperative can cause difficulties in efforts to extend access to bank accounts to the unbanked, as such accounts are often viewed as being uneconomic to provide. Don Cruickshank, in his review of the banking industry, found that "banks do not have an incentive to provide a standard account to low income consumers: a current account needs an average balance of about £1,000 a year to make a profit",<sup>60</sup> while the BBA found that based on raw cost estimates, the average loss [on basic bank accounts] was estimated to be £10 per annum on each account.<sup>61</sup> The unfortunate result of this is that commitments to extend access to bank accounts are often relegated to a peripheral corporate responsibility agenda within banks' wider corporate strategy. As such, progress in broadening access to bank accounts is likely to be beset by a range of difficulties as it will clash with – and inevitably lose out to – other objectives that are more integral to the goals of the banks.

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<sup>60</sup> *Competition in UK Banking: A Report to the Chancellor of the Exchequer*, 20 March 2000, p.185

<sup>61</sup> *Promoting Financial Inclusion: the Work of the Banking Industry*, British Bankers' Association, September 2002

- 4.5 Some have suggested that credit unions could offer a viable alternative to the mainstream banks in broadening access to bank accounts. Certainly, the launch of credit union current accounts (expected to be in 2006) is to be welcomed. These current accounts will include electronic transmission facilities such as ATM access, the ability to set up standing orders and direct debits, receive payments from benefits, payroll transfer and other third parties, and provision of ATM only or Visa debit cards. However, they will not offer overdrafts or a cheque book.<sup>62</sup>
- 4.6 Credit unions already play an important role in extending financial products to people on low incomes, but it is unlikely that they will be able to operate on a sufficiently large scale to reach the vast majority of the unbanked. We understand that around 70 credit unions will participate in the delivery of these accounts with the support of the Financial Inclusion Fund. To reach the majority of low-income consumers it is therefore essential to engage with the large banks that dominate the UK banking sector.
- 4.7 One approach might be to introduce some form of universal service obligation on the banking sector. This idea is explored in recent paper by the New Economics Foundation.<sup>63</sup> This would require legislation including the establishment of a statutory regulator and would need to draw on the experience of other countries that have legislated in this area.<sup>64</sup> Recent research for the Department for International Development (DFID) found that a legislative approach on its own is not sufficient but should be accompanied by the provision of appropriate products for the unbanked. At a first glance a universal service obligation seems to be very attractive, however the practicalities are more complex.
- 4.8 To make a real and lasting difference, efforts to extend access to bank accounts need to become an integral part of banks' core business. Understandably, banks will require a convincing and coherent business case to be developed to alter their current scepticism on this front. **We therefore recommend that the Financial Inclusion Task Force should commission a report to outline the business case for banks to actively offer bank accounts to people on low incomes.** The report should seek to challenge the myths held by some bank staff about people on low income, and aim to encourage banks to take a longer-term view of customers, one which recognises their potential as customers and values their business. As part of this, the investigation could consider the viability of introducing some form of tax incentive to motivate banks to take such action. If banks were to unleash their combined marketing might on the task of extending access to banking we are confident that this would have a greater impact than a whole range of government initiatives. The trick is to get corporate buy-in.

<sup>62</sup> ABCUL and 13 large credit unions have been working in partnership with the Cooperative Bank on the development of credit union current accounts. See *Credit unions to offer banking services*, ABCUL, 2 December 2005

<sup>63</sup> *Basic bank accounts; the case for a universal service obligation*, New Economics Foundation, 2005

<sup>64</sup> *Policy level response to financial exclusion in developed economies: lessons for developing countries*, Elaine Kempson, September 2004



### Specific recommendations to improve current practice

- 4.9 It is only through a fundamental re-think of basic bank accounts and how they fit with financial organisations' other objectives that a major change in the banks' approach to the provision of basic bank accounts can be expected. To meet the goal of halving the number of unbanked, and to make real progress beyond this arbitrary target, it is likely that such fundamental shifts will be necessary.
- 4.10 More immediately, however, CAB clients continue to suffer problems in opening and operating bank accounts, and these problems are set to spread when LHA is introduced nationally. We consider it essential that people who are currently unbanked should be able to open and use accounts with ease. In this section, we therefore focus our recommendations on areas that will make an immediate difference to those on low incomes, or those who may have little experience in dealing with financial institutions, and who have to open and use a bank account in order to receive their benefits payments or wages.

### Recommendations to banks

- 4.11 Banks have a key role to play in developing suitable basic banking products and ensuring that they are promoted to appropriate people.
- 4.12 Until now there has been little guidance for banks in developing their basic bank account products. In 2001 HM Treasury consulted about developing a CAT (Charges, Access, and Terms) standard for basic bank accounts but nothing has materialized as a result. It is clear from our evidence that some form of guidance is required to help make sure that basic bank accounts are attuned to the needs of people on benefit income, and can play a positive role in combating financial exclusion. **Citizens Advice recommends that banks review their existing basic bank accounts and measure them against the following principles which we consider should be essential features of a basic bank account:**
- **Full credit scoring should not be used to determine access to a basic account. It is only acceptable to access the customer's credit reference file to check they are on the electoral roll, as part of the money laundering check.**
  - **Basic bank accounts should not exclude people in financial difficulties or undischarged bankrupts.**
  - **People opening a basic account rather than a current account should receive the same level of service on the time taken to open an account.** Banks should enable all staff at bank branches open basic bank accounts on the spot provided the customer has provided acceptable forms of identification. Where this is not feasible, a basic bank account should be operational within 10 working days after the application has been made.

- **Banks should not exercise their right of set-off from basic bank accounts.** This is because the customer may have other expenditure which is of greater priority such as rent, mortgage, council tax or fuel.
- **Charges for failed direct debits and standing orders should be capped at a level to be determined by the government's Financial Inclusion Task Force.**
- **All banks should offer a buffer zone of £10.**
- **The clearance time for cheques paid into basic accounts should be the same as for current accounts.**

4.13 As well as improving the features of basic bank accounts, banks need to improve their practices:

- **Citizens Advice recommends that information about basic bank accounts should be prominently displayed in both bank branches and on bank corporate websites.** This will ensure that people are aware of basic bank accounts.
- **On opening accounts clients should be given basic information on budgeting and handling money.**

4.14 Some of the improvements required should apply to all bank accounts. These include:

- **All bank accounts should be accessible at post office counters, ATMs and bank branch counters.**
- **Drawing on the recommendations produced by the Joint Money Laundering Steering Group, banks should make publicly available information about the documents that will be accepted as proof of identity to open an account.** This should include details of both their 'short' list (which typically includes passport, driving licence and utility bills) and their 'extended' list (which includes identification documents such as benefit entitlement letters that can be used if the applicant cannot provide the documents on the short list). This move would improve transparency, achieve more consistent application of the rules and raise branch staff awareness of, and compliance with, their money laundering policies which are developed at Head Office.
- **Where a bank refuses to open a bank account for a customer it should provide them with a proforma letter detailing the reasons for the refusal, and outlining exactly the steps needed to remedy the problem.** This will help people understand why they have been turned down and seek advice or redress if appropriate.

4.15 We do not consider these recommendations difficult to implement. For example Barclays have recently made improvements to their basic bank account which include:

- halving the charges for unpaid direct debits from £30 to £15
- reducing the number of documents to prove identity and address from three to two

- displaying basic bank account application forms in all their branches from January 2006
  - giving applicants the option of having their documents proving identity and address checked in branch or sent to head office from January 2006.
- 4.16 Nationwide Building Society has made a similarly positive announcement in recent months, confirming that all their “Flexaccount” personal current account customers will be able to withdraw cash and check their balances at any Post Office branch, free of charge.<sup>65</sup>

### **Recommendations to the Banking Code Standards Board (BCSB)**

- 4.17 The BCSB is tasked with checking banks’ compliance with the Banking Code. Where transgressions are found it can, in theory, employ a range of sanctions.
- 4.18 The BCSB undertakes some very useful investigations into banking practices, for example the mystery shopping exercises into basic bank accounts that it has carried annually since 2002. Such activities have helped to foster banks’ moves towards better practice – improvements which are corroborated by the evidence that we have received from bureaux.
- 4.19 However, the impact of its work is stymied by the fact that it does not publish the names of banks but rather anonymises the information that it collects. This limits the usefulness of the data, and fails to provide a sufficiently strong incentive for banks to devote resources to basic bank accounts or to compete over offering them. Since there is no adverse publicity associated with poor performance there is little pressing incentive to improve poor practices. The fact that data from the BCSB anonymises the data from its mystery shopping exercises may explain why performance in opening basic bank accounts varies so widely from one bank to another.<sup>66</sup>
- 4.20 **Citizens Advice recommends that the BCSB should make the results of its mystery shopping exercises into basic bank accounts publicly available, with the best performers receiving praise and the worst being given an incentive to improve their performance.** This would help foster good practice across the industry which is at present patchy, ensure compliance with the Banking Code and provide potential customers with valuable information. Such transparency would also allow external groups to monitor the relative performance of banks, compare progress on a range of issues and make recommendations to further improve the operation of the Banking Code.

<sup>65</sup> *Post Office branches to extend banking services for Nationwide customers*, Press Release, Post Office Ltd, 14 November 2005

<sup>66</sup> The BCSB’s latest round of mystery shopping found that “there is a significant divergence in the number of basic bank accounts [that banks] are currently opening as a proportion of ordinary current accounts, with figures ranging from two per cent for Bank J to 54 per cent for Bank D.” Survey of Subscribers providing basic bank accounts, BCSB, November 2005

4.21 With greater transparency in reporting, the following recommendations to the BCSB could make a real difference in improving customers' experiences of basic bank accounts:

- To improve promotion of basic bank accounts, **the Banking Code should mandate banks to display information about basic bank accounts in bank branches.** Specifically, the Banking Code Guidance (Paragraph 3.2) should be strengthened to state "Where we offer basic bank accounts, literature relating to the account will be clearly displayed in our banking halls and on our website."
- **The Banking Code rules and Guidance (Paragraph 3.1) should be changed to mandate that where applications for a basic bank account are turned down, banks must provide a proforma letter explaining clearly the reasons for the refusal, and detailing exactly what applicants need to do to remedy the situation.**
- **The Banking Code guidance should require firms to include the need to combat financial exclusion in their money laundering training.** An integral part of this should be a focus on why people may be on benefits or unbanked, as this would help to improve awareness among bank branch staff of the difficulties that these people may face, and help to foster a more understanding approach.
- **The Banking Code and Guidance should be amended so that banks provide a commitment that it will take no more than 10 working days to open a basic bank account where acceptable ID is provided.** Where delays are experienced, banks should keep clients informed, and should seek to proactively assist applicants where problems are encountered.
- **The Banking Code should include Guidance on how basic bank accounts should be upgraded, and detail the safeguards that should be put in place.**
- **The Banking Code should prohibit banks from exercising their right of set-off from basic bank accounts.** This is because the customer may have to make repayments to other creditors which are of greater priority such as paying for rent, mortgage, council tax or fuel. **In relation to the right of set-off from current accounts, the Banking Code and Guidance should be amended to require banks to refund any money they have appropriated through the right of set-off to a customer who can demonstrate that these actions have left them in financial difficulty.**

### Recommendations to the JMLSG

4.22 The Joint Money Laundering Steering Group (JMLSG) is made up of the leading UK trade associations in the financial services industry. Its aim is to promulgate good practice in countering money laundering and to give practical assistance in interpreting the UK Money Laundering Regulations.

4.23 Citizens Advice recognises that positive steps have been taken by the JMLSG to address the problems experienced by people who do not possess the

documents usually required by banks when opening bank accounts. In particular, we were encouraged by JMLSG's recent consultation draft of Guidance for the UK Financial Sector which confirmed that "staff should be discouraged from using the Money Laundering Regulations as an excuse for not opening an account for a customer who produces non-standard documentation".<sup>67</sup> We look forward to the publication of the revised guidance in 2006 since "the new guidance is a golden opportunity for firms to review and, where appropriate, revise their procedures and internal controls: to make life easier for their honest customers and harder for the criminal".<sup>68</sup>

- 4.24 As part of the review of its guidance on acceptable documents to prove ID and address, **Citizens Advice recommends that the JMLSG should produce and publicise a single list of acceptable documents to prove ID and address. This list should draw on banks' best practice and include a broad range of acceptable documentation. To meet the needs of currently disadvantaged groups, this list should explicitly include local authority letters granting entitlement to housing benefit (HB), official Home Office travel documents and residence permits.**<sup>69</sup> The list should be communicated clearly to all bank branch staff to ensure consistent application.

#### **Recommendations to Post Office Limited**

- 4.25 Due to its extensive branch network, the Post Office has a unique opportunity to make a positive contribution to tackling financial exclusion in both urban and rural areas through the provision of access to banking facilities.
- 4.26 Enabling all bank customers to withdraw their money from the Post Office would not only provide greater convenience for bank customers but would potentially throw a lifeline to rural Post Office branches that have seen a major reduction in their business following the introduction of direct payment. **Citizens Advice recommends that all current account holders should be able to withdraw cash over the counter at Post Offices. We understand Post Office Limited are keen to offer this facility through becoming a member of LINK,<sup>70</sup> and urge the banking industry to confirm their membership or to find alternative means to allow all bank customers to access their accounts through the Post Office network.** Citizens Advice

<sup>67</sup> *Prevention of money laundering/combating the financing of terrorism, Guidance for UK Financial Sector* (Consultation, March 2005), JMLSG, Part II Sectoral Guidance, Para. 1.32

<sup>68</sup> Speech given by Philip Robinson, Financial Crime Sector Leader, FSA at Annual Financial Crime Conference on 15 November 2005. Speech available at: [www.fsa.gov.uk/pages/Library/Communication/Speeches/2005/1115\\_pr.shtml](http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2005/1115_pr.shtml)

<sup>69</sup> Residence permits were introduced for anyone given indefinite leave to remain after December 2003.

<sup>70</sup> The LINK ATM network enables the cash machines deployed by different banks, building societies and independent deployers to share cash acquisition transactions. The key operating principle of the LINK network is that "Any LINK-enabled card may be used in any LINK-branded machine." LINK operates 24 hours a day, 7 days a week, 365 days a year and is a fully on-line network; all transactions are authorised in real-time. [www.link.co.uk/atm/about/mn\\_about.html](http://www.link.co.uk/atm/about/mn_about.html)

has already written to the LINK Working Group,<sup>71</sup> in support of POL's application, and we will continue to argue for this change.

- 4.27 However, we also think that POL's relationship with the banks should be strengthened further. To make the most of its extensive network, we consider that people should be able to open basic bank accounts at Post Office branches. **Citizens Advice recommends that the Financial Inclusion Task Force should undertake a feasibility study on this issue.** Post Office counter staff have developed experience in delivering financial services: they are now well-versed in opening POCAs, and also in carrying out money laundering checks. POL has invested more than £3 million in training and revised promotional material, and trained over 23,000 people about anti-money laundering legislation and financial services regulation.<sup>72</sup>
- 4.28 Many Post Offices also offer people the ability to withdraw money from ATMs. While this is a very useful facility, we have major concerns about people being charged a fee to withdraw their money. **We therefore welcome the recent announcement that POL is to introduce 1,000 fee-free ATMs across its branch network,<sup>73</sup> and recommend that this expansion of fee-free ATMs be rolled out as soon as is practically possible to all Post Offices.**

### Recommendations to ABCUL

- 4.29 Credit unions are already very active in helping people to gain a foot on the ladder towards greater financial inclusion, and an increasing number of credit unions having developed a Benefits Direct Account which enables members on a low income to open an account through which they can receive their benefit payments.
- 4.30 A Benefits Direct Account from a credit union also provides the additional features of a savings facility and access to low cost credit and affordable insurance.
- 4.31 However, it is only with the development of the credit union current account (expected to launch in 2006) that credit unions will be able to step up their ability to offer a wider range of banking services.<sup>74</sup> **We recommend that ABCUL and the credit unions involved in the development of the current account learn from the findings in this report, and that they recognise the development of such transaction services as a priority in tackling financial exclusion.**

<sup>71</sup> The LINK Working Group, which was formed by the Payment Systems Task Force to address any access and governance issues affecting the payment scheme. It is due to report in spring 2006.

<sup>72</sup> *The Three Rs: Research, Urban Reinvention, Rural Network* - Postcomm's fifth annual report on the network of Post Offices, 2004-05, Postcomm, October 2005

<sup>73</sup> Further information is available at:

[www.royalmailgroup.com/news/expandarticle.asp?id=1537&brand=Post\\_Office\\_network](http://www.royalmailgroup.com/news/expandarticle.asp?id=1537&brand=Post_Office_network)

<sup>74</sup> Credit Union current accounts will include electronic transmission facilities such as ATM access, the ability to set up standing orders and direct debits, receipt of payments from benefits, payroll transfer and other third parties, and provision of ATM only or Visa debit cards.

## Recommendations to government

- 4.32 Basic bank accounts enable the customer to pay bills by direct debit, offering convenience and the potential to take advantage of reduced tariffs (e.g. from utilities companies). However, if a direct debit fails because there are insufficient funds in the account then the customer will be penalised. For people who are unaccustomed to banking procedures such charges can come as a nasty shock.
- 4.33 Although the Banking Code stipulates that banks should exercise consideration when applying charges, especially if a client is in financial difficulty, our evidence shows that in practice banks impose such charges automatically. To make matters worse, the charges levied for each failed direct debit are very large and can represent a significant share of someone's weekly income.
- 4.34 **Given the high level of charges for failed direct debits, we recommend that the Office of Fair Trading's (OFT) investigation of 'unfair' credit card charges<sup>75</sup> be extended to examine charges for failed direct debits levied on basic bank accounts. The investigation should make sure that charges are not disproportionate but reflect the costs incurred by the banks.**
- 4.35 In a similar vein, hefty administration charges can also have a significant negative impact on an individual's overall financial stability, with many customers with basic bank accounts unable to withstand charges which are imposed for going overdrawn or for writing a cheque that subsequently bounces. Whilst the DWP aims to pay the correct benefit at the right time, our evidence, and successive audits of benefit accounts, shows that payments are frequently delayed, paid for the wrong amount, or missed because of occasional computer failures. In these circumstances, it is wrong that individuals should be faced with financial penalties which can amount to a substantial proportion of the income into their accounts.
- 4.36 Where charges are imposed on someone's basic bank account through no fault of their own - for example where the charges are due to errors or delays in benefit or tax credit payment on the part of DWP, Her Majesty's Revenue and Customs (HMRC) or the local authority – the individual should not be expected to pay for them. To alleviate the hardship that can result in such circumstances, a scheme should be established by DWP and other agencies to pay compensation to benefit recipients who have incurred bank charges due to official error or delay. The DWP and HMRC have guidance which sets out when compensation can be given to claimants who have suffered a financial loss due to maladministration. The guidance includes payments for bank charges and interest resulting from maladministration. This guidance is welcome, however, we do not feel it is publicised sufficiently. **The DWP and**

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<sup>75</sup> On 26 July 2005 the OFT wrote to eight major credit card companies to consult on its provisional conclusion that the levels of default charges they impose (e.g. for late payments) are excessive. Further information available at: [www.of.gov.uk/News/Press+releases/2005/135-05.htm](http://www.of.gov.uk/News/Press+releases/2005/135-05.htm)

**HMRC should review the operation of their guidance to determine how it could be better publicised.**

- 4.37 This report has highlighted the many difficulties that CAB clients face in opening and operating basic bank accounts. Government plans to introduce local housing allowance (LHA) as part of the wider reform of housing benefit (HB) make the need to remedy the difficulties highlighted more pressing, as such payments will normally be made into the claimant's bank account rather than direct to their landlord.
- 4.38 A key strand of any strategy for facilitating the roll-out of LHA should be the provision of independent advice and support for those who will be affected. In the pathfinder areas where LHA has been piloted this support has proved to be invaluable in helping people open bank accounts and set up arrangements to pay their rent, and also in the ongoing work on managing debt and avoiding rent arrears.<sup>76</sup>
- 4.39 **We recommend that the national rollout of LHA should not start until difficulties with opening and using bank accounts for payment of LHA have been resolved. DWP should work with HM Treasury and the Financial Inclusion Task Force to achieve this, and to consider the funding of support services for people opening basic bank accounts more generally.**

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<sup>76</sup> See *Early days: CAB evidence on the Local Housing Allowance* (December 2005) for further information about the LHA Pathfinders, and Citizens Advice's recommendations about how the policy should be implemented nationally.



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## **Appendix 1 - Support needed to open a bank account for a vulnerable person**

A pathfinder CAB reported that it took a whole day for an elderly vulnerable woman to open a bank account for payment of her pension credit and LHA entitlements. The client was entitled to a substantial amount in backdated benefits which could not be paid until a bank account had been opened. The CAB adviser had arranged to go with the client to open a basic account at a local building society branch and had organised an appointment. However the client had gone to the local DWP office instead to pick up a girocheque for some of the benefit owed to her.

When the CAB got to the DWP office it transpired that the girocheque could only be cashed at a Post Office some distance from the client's home, and when the CAB asked if it could reissued for encashment at a more convenient Post Office, they were told it would take 10 days. As the client could not wait that long, the CAB took her to the Post Office detailed on the girocheque so that she get some money to buy food.

The CAB then took her to the building society office to open an account. However the building society could not accept one of the documents – a handwritten letter from the Pensions Service about the client's weekly entitlement to pension credit, but they could accept the computer-generated letter of entitlement to pension credit. If this was not forthcoming immediately, the client would have to arrange another appointment to provide this. However this would mean that the client would not be able to access the backdated benefits she was entitled to.

Using the building society's phone, the CAB immediately rang the Pensions Service to see if they could fax the letter of entitlement to the building society straight away. However the Pensions Service said that this document could not be generated until they had the client's bank account details! The CAB managed to persuade the Pensions Service that this was an urgent and unusual situation that required immediate action and the letter was duly faxed over to allow the building society to open an account for the client. Once all the formalities were complete, the CAB and the client thanked the building society staff for their assistance and appreciation for 'going the extra mile' and providing a service that others had refused.

The CAB then had to take the client to the council's bank to cash her LHA cheque free of charge as the client needed the money now, rather than paying it into her new account. However the bank asked for a letter of authority from the local council for them to cash this cheque, which the client did not have. The CAB then had to take the client to the council's offices to obtain this letter. The council refused, and the CAB and the client had to return to the building society to pay the cheque into the bank account which had just been opened. This caused some problems as the client had no passbook. By the time they left the building society for the second time, it was 4pm and the client had not yet eaten.

## Appendix 2- List of Citizens Advice Bureaux that submitted evidence between January 2005 and August 2005

### **EAST REGION**

Beccles  
Bedford & District  
Billericay  
Brandon & Mildenhall  
Bury St Edmunds  
Bushey  
Castle Point  
Chelmsford  
Colchester  
Dacorum  
Dunstable & District  
Elstree &  
Borehamwood  
Felixstowe & District  
Harlow  
Hertford  
Huntingdon  
Ipswich & District  
Leighton Linlade  
Loughton  
Lowestoft  
Marham  
Mid-Suffolk  
Peterborough  
Southend-on-Sea  
St Albans  
St Neots  
Sudbury  
Uttlesford  
Ware & District  
Watford  
Watton  
Welwyn Garden City  
Welwyn Hatfield  
Wickford  
Wymondham & District

### **LONDON REGION**

Addington  
Barking & Dagenham  
Brent  
Bromley & Chislehurst  
Chelsea  
Eltham

Finchley  
Greenwich MAS  
Hackney  
Harrow  
Hillingdon  
Holborn  
Hounslow  
Kensington  
Kentish Town  
Kingston & Surbiton  
Lewisham MAS  
Leytonstone  
Orpington  
Palmers Green  
Redbridge  
Richmond Upon  
Thames  
Sheen  
Sydenham  
Thornton Heath  
Wandsworth MAS  
Whitechapel  
Woolwich  
Wormwood Scrubs

### **MIDLANDS REGION**

Ashfield  
Bassetlaw  
Biddulph  
Birmingham City  
Centre  
Birmingham District  
Health Project  
Boston  
Bromsgrove & District  
Broxtowe  
Burntwood & District  
Burton-Upon-Trent  
Congleton  
Dudley  
Harborough District  
Hereford & District  
High Peak  
Kettering  
Lichfield  
Lincoln & District

Melton Mowbray  
Newark & District  
Newcastle-Under-Lyme  
North Warwickshire  
Northampton & District  
North-East Derbyshire  
Nottingham & Dist  
Oswestry & Border  
Rutland  
Sandwell  
Shrewsbury  
Sleaford  
Solihull  
South Derbyshire  
South Holland  
South Shropshire  
Stoke-On-Trent  
Stourbridge  
Stratford-On-Avon  
Tamworth  
Walsall  
West Lindsey  
Wychavon District  
Wyre Forest

### **NORTHERN IRELAND**

Central Belfast  
Coleraine  
East Belfast

### **NORTH REGION**

Barnsley  
Batley  
Boothferry  
Blyth Valley  
Bradford  
Calderdale  
Chapeltown  
Craven  
Derwentside  
Doncaster  
East Yorkshire  
Hartlepool  
Hull City Centre  
Hull Leo Shultz  
Keighley

Leeds  
 Newcastle City  
 North Tyneside  
 Richmondshire  
 Rotherham  
 Scarborough & District  
 Scunthorpe  
 Selby District  
 Tynedale  
 Wakefield District  
 Wansbeck  
 Washington  
 Wear Valley  
 York

### **NORTH WEST REGION**

Altrincham  
 Barrow-in-Furness  
 Birchwood  
 Birkenhead  
 Blackburn  
 Blackpool  
 Bolton & District  
 Bootle  
 Chorley & District  
 Crewe & Nantwich  
 Crosby  
 Cumbria Rural  
 Ellesmere Port  
 Halton District  
 Kendal  
 Knowsley & District  
 Knowsley South  
 Lancaster  
 Leigh & District  
 Liverpool City Centre  
 Macclesfield, Wilmslow  
 & District  
 Manchester Central  
 Manchester Telephone  
 Advice  
 Marple & District  
 Morecambe &  
 Heysham  
 Old Trafford  
 Preston & District  
 Rochdale  
 Rossendale  
 Salford

Southport  
 Wallasey  
 Walton  
 Warrington  
 Wigan  
 Withington

### **SOUTH EAST REGION**

Abingdon  
 Aldershot  
 Alton  
 Andover  
 Ash  
 Ashford  
 Banbury & District  
 Basingstoke  
 Bognor Regis  
 Bracknell  
 Brighton & Hove  
 Buckingham, Winslow  
 & District  
 Camberley  
 Canterbury  
 Caterham &  
 Warlingham  
 Chichester & District  
 Chiltern  
 Cosham  
 Crawley  
 Didcot & District  
 Dorking  
 Dover  
 East Grinstead  
 Eastbourne  
 Eastleigh  
 Edenbridge &  
 Westerham  
 Fareham  
 Farnborough  
 Farnham  
 Godalming  
 Gosport  
 Guildford  
 Hailsham  
 Haslemere  
 Hastings & Rother  
 Havant & District  
 Henley & District  
 Kent Probation Service

Littlehampton  
 Lymington  
 Malling  
 Medway  
 Milton Keynes  
 Oxford  
 Oxted  
 Portsmouth  
 Reading  
 Ringwood &  
 Fordingbridge  
 Runnymede  
 Seaford  
 Sevenoaks  
 Shoreham & Southwick  
 Sittingbourne & Isle of  
 Sheppey  
 Slough  
 Southampton  
 Tadley & District  
 Thanet  
 Tonbridge  
 Totton & District  
 Tunbridge Wells  
 Uckfield  
 Walton, Weybridge &  
 Hersham  
 Wallingford  
 West Berkshire  
 West Oxfordshire  
 Whitehill & Bordon  
 Winchester  
 Woking

### **SOUTH WEST REGION**

Barnstaple  
 Bath & District  
 Bournemouth  
 Bristol  
 Bude, Holsworthy &  
 District  
 Christchurch  
 Cirencester  
 Exmouth  
 Forest of Dean  
 Frome & District  
 Ilfracombe  
 Mendip  
 Mid Devon

North Cornwall  
North Dorset  
North Somerset  
North Wiltshire  
Penwith  
Salisbury & District  
Sedgemoor  
South Gloucester  
South Hams  
South Somerset  
St Austell  
Swindon & District

Taunton & District  
Torquay  
West Wiltshire  
Weymouth & Portland

**WALES**

Ammanford  
Bargoed & District  
Caerphilly  
Cardiff  
Flintshire  
Haverfordwest

Merthyr Tydfil  
Monmouth  
Neath  
Newport  
Pontypridd  
Port Talbot  
Powys  
South Denbighshire  
Swansea  
Vale of Glamorgan  
Ynys Mon

## **Appendix 3 – Bureaux which have undertaken research into basic bank accounts between August 2002 and November 2005**

### **EAST REGION**

Great Yarmouth  
Huntingdonshire  
Leighton Linlade  
Norwich  
Rayleigh  
Uttlesford  
Wymondham,  
Attleborough & District

### **MIDLANDS REGION**

Bedworth  
Market Harborough  
Melton Mowbray  
Northampton  
Nottingham  
South Shropshire  
Stratford-upon-Avon

### **NORTH REGION**

Doncaster  
Gateshead  
Newcastle City  
North Kirklees  
Teesdale

### **NORTH WEST REGION**

Crewe & Nantwich  
Morecambe &  
Heysham  
North Liverpool &  
Speke  
Rochdale  
Wallasey

### **SOUTH EAST REGION**

Ashford  
Brighton & Hove  
Chichester  
Chiltern  
Esher  
Leatherhead  
Lymington

Maidstone  
Milton Keynes  
New Forest North  
Oxford  
Petersfield  
Tunbridge Wells

### **SOUTH-WEST REGION**

Bath  
Bridgnorth  
Carrick  
Forest of Dean  
Frome & District  
Liskeard  
North-East Somerset  
North Wiltshire  
Sherborne  
Taunton & District

### **WALES**

Merthyr Tydfil  
Denbighshire